DOCUMENT RESUME

ED 288 010 CE 048 835

TITLE	Education and Training for American Competitiveness. Hearings before the Committee on Education and Labor, House of Representatives, One Hundredth Congress, First Session on H.R. 5, School Improvement Act of 1987; and H.R. 90 Education and Training for American Competitiveness Act of 1987 (February 10, 11, 18, 25; March 4, 11, and 12, 1987).
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Education and Labor.
PUB DATE	87
NOTE	664p.; Serial No. 100-16.
AVAILABLE FROM	Superintendent of Documents, Congressional Sales Office, U.S. Government Printing Office, Washington, DC 20402.
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Viewpoints (120)
EDRS PRICE	MF03/PC27 Plus Postage.
DESCRIPTORS	Economic Climate; Educational Improvement; *Educational Legislation; *Educational Needs; Educational Policy; Educational Quality; Elementary Secondary Education; Federal Legislation; Financial Support; Futures (of Society); *International Trade; *Labor Needs; Postsecondary Education; *Public Policy
IDENTIFIERS	Congress 100th; Proposed Legislation

ABSTRACT

This congressional report contains testimony pertinent to the passage of the School Improvement Act of 1987 and the Education and Training for American Competitiveness Act of 1987. Testimony by representatives of the following agencies and organizations is included in the report: New York University; the United Steelworkers of America; the Canadian Industrial Adjustment Service; the American Federation of Labor and Congress of Industrial Organizations; the National Council of Teachers of Mathematics; the Federal Reserve Bank of Boston; the Goodyear Manpower Reemployment Committee; Lehigh University; the Mississippi Authority for Educational TV; Harvard Business School; the United Automobile, Aerospace, and Agricultural Implement Workers of America; and Piedmont Technical College. Among state and federal government officials presenting testimony were William J. Bennett, Secretary of Education, and William E. Brock, Secretary of Labor. Other prepared statements, letters, and/or supplemental materials are also contained in the report. These include the following articles/reports: "Public Broadcasting Educational Services," "Square One Television," two reports from "AFL-CIO Reviews and Issues," "Policy Options for Preschool Programs," "Why U.S. Business Is Falling Behind," "Taking a Loan on America's Future," "What the Newest Research in Early Childhood Education Could Mean for Your Schools," and "A Society Where Students Are No. 1." (MN)

EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS

ED288010

HEARINGS

BEFORE THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

H.R. 5

SCHOOL IMPROVEMENT ACT OF 1987

H.R. 90

EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS ACT OF 1987

HEARINGS HELD IN WASHINGTON, DC, ON FEBRUARY 10, 11, 19, 25; MARCH 4, 11, AND 12, 1987

Serial No. 100-16

Printed for the use of the Committee on Education and Labor

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EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS

TUESDAY, FEBRUARY 10, 1987

House of Representatives,
Committee on Education and Labor,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins, Chairman, presiding.

Members present: Representatives Hawkins, Gaydos, Kildee, Williams, Martinez, Sawyer, Penny, Richardson, Visclosky, Jeffords, Coleman, Bartlett, and Ballenger.

Staff present: Gene Sofer, budget analyst; Jeff Fox, minority assistant counsel.

Chairman Hawkins. Today we are holding the first of a series of hearings by the Education and Labor Committee on H.R. 90, The Education and Training for American Competitiveness Act of 1987. Today's hearing will focus on education.

Not too many years ago, the United States was growing, was the dominant power. It was promoting more and it was drawing on its prowess.

Our economy was full of life and innovation.

Today, however, we are in the midst of a competitiveness crisis, with profound implications for our present and future standard of living. Productivity in our country remains higher than anywhere else in absolute terms, but it has declined in relative terms. From 1971 to 1983, U.S. productivity rose at 0.3 percent per year. Britain's annual gain was five times that and the French and Germans rose seven times as fast. Japan's rate was nine times ours, and Korea's was 15 times higher than the U.S. rate.

One consequence of this virtual stagnation is that since 1980, America has suffered a net loss of over one million production jobs in manufacturing, paying an average of $13 an hour. At the same time, jobs and services in retail trades, paying between $5 and $7 have increased by 5.5 million.

Experts differ as to how we got into this position. There is, however, a virtual consensus that we must do a better job of educating our citizenry. A recent study, for example, indicates the literacy skills of many young adults stagnate at a level below what is needed for personal advancement and full participation in society.

It is also obvious that literacy problems inhibit the ability of many dislocated workers to find new jobs. According to the National Science Board study on *Undergraduate Science, Mathematics* *and Engineering Education*, "serious problems, especially problems of quality, have developed during the past decade in the infrastructure of college level education in the United States in mathematics, engineering sciences. Problems are occurring in all types of institutions."

The NSB found out of date and unimaginative courses and curricula often taught by inadequately trained faculty members. It also reported that laboratory instruction had deteriorated. According to a recent study on international education, American students know as little about the world around them as about science.

For example, in a U.N. survey of some 30,000 ten and fourteen year old students in nine countries know much more about foreign cultures and the U.S. among them is next to last.

If we are to regain our competitive edge, we must treat education as the highest priority. As Speaker Wright noted in his response to the State of the Union, "however splendid our weapons, we won't be first in defense or first in trade if we settle for second best in education."

Almost 50 years ago, Franklin Delano Roosevelt said that "the only real capital of a nation is its natural resources and its human beings, and if we skimp on that capital, if we exhaust our natural resources and weaken the capacity of the human beings, then we shall go the way of all weak nations."

At this time, the Chair would like to yield to the ranking minority member, Mr. Jeffords.

Mr. JEFFORDS. Thank the Chairman.

I have a rather lengthy statement that I'll put in the record. At this time, I would just like to say that I look forward to the testimony this morning, especially from our distinguished former colleague, Mr. Brademas. I listened to him, was with him this past week when we had a press release on making America work again, as a response to a Commission set up to look at some of the problems that we have in this country.

I am also concerned that we may come up with some wonderful ideas, but without the means to do anything to bring about the solutions which we need as a result of our deficit problem. So we have a real challenge this year to try and not only chart a course that will get us out of the problems which we see, but also to find the means to provide those solutions.

Thank you, Mr. Chairman.

[Prepared statement of Hon. James M. Jeffords follows:]

PREPARED STATEMENT OF HON. JAMES M. JEFFORDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VERMONT, DATED FEBRUARY 10, 1987

Mr. Chairman, I want today to address the problem of America's trade deficit, which has been growing with alarming speed. Between 1960 and 1984, the United States' share in total world exports declined from 21 percent to 12.6 percent. Between 1980 and 1985, the trade gap widened by 311 percent. Exports fell by three percent, but imports increased by 41 percent. The United States, once the largest creditor nation in the world, is fast becoming the world's biggest debtor. Expressed in dollar terms, the trade deficit topped $170 billion in 1986—exceeding the 1985 record by more than 15 percent. In more human terms, it has meant a traumatic disruption in the lives of thousands of American workers in industries that declined because they were unable to compete with foreign made goods. And it has threatened the security of pension benefits expected by people who spent their working lives in industries, which, through no fault of the workers, couldn't compete with imports.

In contrast to what happened in the United States, look at what happened in Japan. Five years after World War II, Japan's gross national product was only about six percent of that of the United States. By 1982, on a per capita basis, Japan's GNP was 75 percent of ours, and increasing at twice the rate of that of the United States. Japan's resurgence did not result from the exploitation of natural resources; it must import almost all of its oil and much of its food. Japan's principal resources are human resources, and many attribute Japan's remarkable comeback from the devastation of the war to the nurturing of these human resources by an educational system that seems as if it had been specially tailored to enhance the country's power in the world marketplace.

Japan long ago realized that its economic future lay in the world of technology. It took steps to assure that it had a population sufficiently well versed in science and mathematics to assure an adequate supply of research scientists and engineers to satisfy the recognized need for continuing scientific discovery and innovation.

America has that same need. Our heavy industries may never regain their once preeminent status. Many of their low-skilled workers will never get their jobs back. To a large degree, our economic future lies in computers, robotics, biogenetics, and other highly technical fields that will require workers trained in mathematics and science.

Technological advance has become increasingly sophisticated and dependent on scientific knowledge, and it is critical that such knowledge be more broadly distributed throughout society. The jobs of the today's factory worker will increasingly be assumed by robotics. Many of the jobs in tomorrow's factories will be held by skilled engineers and technicians who will service the computers and robots involved in the manufacturing process.

On standardized college entrance tests American students' average science and mathematics scores have been dropping steadily for 20 years. In 1963, the mean score in mathematics on the Scholastic Aptitude Test was 502; in 1980, the mean score was 460. Over the same period, there was a 15 percent decline in the proportion of students scoring above 700 (out of a possible 800) on the SAT, with a 38 percent increase in students scoring below 300. Only one third of the nation's schools require more than one year of math and one year of science for graduation from high school. Only about 10 percent of graduating high school seniors have taken physics, and only 8 percent calculus.

In Japan, by contrast, one quarter of the total number of class hours are allotted to math and science. During their annual 240 eight-hour schools days (as opposed to 180 five- or six-hour days in this country), Japanese students spend three times the amount of time on science and math courses than the most science-oriented students in the U.S. Japanese businessmen have been known to be reluctant to take posts in American cities, because they fear that if their children go to American high schools and return to Japan for college, they'll be two to three years behind in math and science.

America's failure to focus its students' attention on math and science is exacerbated by a serious shortage of math and science teachers. In 1980, 28 states reported shortages of math teachers, and in 16 of those states, the shortage was described as critical. During the 1970's there was a 77 percent decline in the number of secondary school math teachers being trained and a 65% decline in the number of secondary science teachers being trained. In 1981–82, 50 percent of math and science teachers were uncertified and were teaching with emergency certificates. Fully one-third of elementary school teachers have had no science courses in college.

In the United States, most graduates in mathematics and the sciences are not attracted to teaching because of its low pay and low status. A quarter of the nation's math teachers have indicated that they expect to leave the teaching profession within five years for a more lucrative job in the private sector. Japanese teachers, by contrast, have status in the community and receive wages comparable to professionals in other fields. More than half of those who try to enter the teaching ranks each year are turned away. Teachers' starting salaries are about 50% higher than in the U.S. In the 1960s, when the economic boom began to draw prospective teachers to more lucrative positions with industry, the Japanese government increased teacher salaries by more than 45 percent.

Japan has also done a better job of preparing its people to adapt to foreign cultures. Its students are better versed in foreign language than their American counterparts. Beginning in the 7th grade, the curriculum gives about 10 percent of class time to foreign language instruction (usually English), and by the time they graduate, most Japanese students have had 6 years of foreign language study.

Americans are largely indifferent to the study of foreign languages. In 1981–82, only 100 persons received bachelor's degrees with majors in Japanese. Only 68 persons received bachelor's degrees with majors in Chinese. Sixty-one percent of our business schools do not offer any international courses. Despite Japan's dramatic emergence as a leader in world trade, there has been no significant increase in the numbers of Americans speaking Japanese. During the period from 1973 to 1983, when the Japanese challenge mushroomed, the number of American students studying Japanese grew only from 9,500 to 11,500. If American exports are to grow, businessmen must be able to communicate with foreign trading partners. Companies must become more adept at understanding and satisfying the needs and tastes of foreign consumers. This will mean that more businessmen will need to learn foreign languages and understand other cultures. A UNESCO study, however, ranks Americans as next to last in sensitivity to foreign cultures.

The federal government has programs to promote improvement in the quality of elementary and secondary school teaching of math, science, and foreign languages. They were enacted as part of the Education for Economic Security Act. These programs were initially authorized at $400 million—a figure that was thought to be the *minimum* necessary to realize any appreciable improvement in the teaching of these disciplines. Congress has not been willing to appropriate even this minimum amount. The most that has ever been appropriated for this important program was $100 million, which represented a quarter of the sum necessary to make a minimal impact. In fiscal year 1986, the appropriation fell to less than $40 million. We have also seen cutbacks in graduate student fellowships. If we want to assure that the quantity and quality of America's future workforce is not jeopardized, we must assure an adequate supply of trained engineers and scientists.

Although our elementary and secondary schools may not compare favorably with foreign schools in the teaching of math and science, our system of higher education is the envy of the world. Not surprisingly, the ranks of our graduate schools are filled with many foreign students. To meet the demands of our technological society we have, in effect, imported good students. In fact, nearly fifty percent of the Ph.D's in engineering and computer science are awarded to foreigners. Higher education has been unable to attract adequate numbers of American graduate students to meet both the demands of industry and academia for highly trained scientists and engineers. Xerox corporation has stated that the national need for graduate-level computer scientists far exceeds supply. Hewlett-Packard representatives have warned of the potential dangers to national security and to our competitive position in the world marketplace that could flow from the existing shortage of graduate electrical engineers and computer scientists. The costs of graduate education have skyrocketed. At the same time, federal support for fellowships and research assistantships has fallen. In 1969 there were approximately 80,000 stipends for graduate students; now there are only about 40,000. Moreover, graduate students start their careers heavily in debt. On an average, they owe education expenses of more than $10,000 when they graduate. Thus they frequently cannot afford to forgo lucrative industrial offers for careers in research and teaching at a university.

Our institutions of higher learning are also essential to our nation's research and development effort. It is there that most of our nation's basic research is conducted and where an important part of its research and development function is performed. To improve its position in the global economy, the United States is fundamentally dependent on its research and development enterprise. Industry needs the fruits of R&D as a starting point for new ventures and new exports. In Japan, the government has played a key role in encouraging R&D. In the United States, the R&D function is shared by private industry and academia. Research industries conduct about 12 percent of the nation's total R&D and more than 50 percent of its basic research. Research instruments and research equipment at research universities have reached such a state of obsolescence that the amount and quality of research that can be conducted there is severely limited. Outmoded research laboratories and equipment represent a critical unmet need. The Report of the White House Science Council on the Health of U.S. Colleges and Universities recognized that need and expressed support for a program to restore and revitalize the infrastructure of our nation's academic research facilities.

I have been focusing on these issues in the context of trade because I think that there are a substantial number of people who think that our response to the trade crisis should be limited to assuring free and fair access to foreign markets for American goods. In fact, last year when the Education and Labor Committee marked up a trade bill, I heard a number of people question the relationship of education to trade.

Success in the world market will be determined by more than trade laws and export incentives. I'm afraid that we will focus too much in drafting our trade bill on short-term, quick-fix solutions to the trade problem. In my view, an important part of the solution to the trade problem lies in fundamental, structural changes in our society, our educational system, and our worker training programs. To turn around the trade deficit, it will be the federal government's responsibility to facilitate change through broad-based, long-term reforms—to promote development of new attitudes, skills and economic incentives. And I hope that in our zeal to enact some form of trade relief package, we don't lose sign of the big picture, and of the continuing need for long-term change and of the need for the same type of investments in human capital that Japan made.

The costs of undertaking short-term programs to respond to the trade problem are high. Of the $4 billion in unfunded pension liabilities guaranteed by the Pension Benefit Guaranty Corporation, 75 percent represents unfunded liabilities of steel companies that have been adversely affected by foreign competition. The President's budget commits almost $1 billion in worker adjustment assistance programs. The costs of programs that would result in the kind of long-term change that I believe is needed to fully respond to the challenge of the trade deficit are astronomical. Estimates of the costs of revitalizing college and university research and laboratory facilities run up to $40 billion. Estimates of the annual cost making graduate education in areas of national need more widely available range as high as $50 million.

Given our budget crisis, I am not suggesting that we immediately appropriate funds for such programs. I am pointing out these figures to highlight the magnitude of the problem. Some of the changes that are needed are perceptual or attitudinal; no program—no matter how well financed—could effect such change. Doing nothing, however, is also costly. Every $1 billion in exports creates approximately 25,000 jobs; conversely, a decline of $1 billion dollars in exports means that 25,000 jobs are lost or are not created. For every 1 percent increase in unemployment, the U.S. government loses $40 billion in revenues.

Mr. Chairman, I will this week introduce a bill calling for a "competitiveness surcharge" of 0.9 percent. Moneys collected as a result of this surcharge would be held in a special trust and would be available for programs that respond to the trade problem. These funds could be used, for example, for worker adjustment assistance programs, or to reduce the PGBC deficit attributable to pension plan defaults by import-impacted companies. I believe that, in effect, we should "let the solution pay for the problem." That is, we should let a part—a small part— of the cost of imported goods help solve the problems caused by a flood of imports. A 0.09 percent import surcharge would generate about $3 billion in revenues. Given the job ahead for American business, this sum won't go far in the long-term effort to improve our trade picture. It could, however, be a much-needed source of funds to be used for short-term, quick response programs.

Chairman HAWKINS. Thank you.

Since this is the beginning of a series of hearings on the subject, the Chair would like to yield to any other member who may wish to have an opening statement.

Mr. Kildee?

Mr. KILDEE. Just briefly, Mr. Chairman.

First of all, I'd like to welcome John Brademas, one of my first Chairmen, when I came to Congress, and my very good mentor, my very good friend. I thank you, Mr. Chairman, for this hearing this morning. This is preeminently not the time to cut education, yet the Administration asks for a 28 percent cut in education. I cannot understand that.

I think the only way I can really describe the act to cut education at a time like this is as an act of stupidity. I can't think of any more charitable word than that to describe it.

Mr. Chairman, I come from Flint, Michigan, and I can recall the days in Flint, Michigan, when I was in high school when one could graduate from high school on Sunday, and go to work for Buick on Monday. And those days are gone.

Right now, General Motors needs more skilled people. They are in the act right now of training and retraining their workers. In Flint, Michigan, two years ago we put together, with some Federal dollars and state dollars and local dollars and private dollars, a consortium of the intermediate school district, the local school board, the two colleges, University of Michigan and Marquette Community College, and GM, to retrain workers for this new technology.

That has worked. We could have used more Federal dollars. This is a time, I think, to increase the Federal commitment, rather than decrease that Federal commitment. If we are in a trade war, and I hate to use that word, but if we are in a trade war as some say we are, if that be the case, then to cut education at this time is an act of unilateral disarmament. We're disarming ourselves in this competition, and we cannot do that. We will fail as a nation unless we train our young people to enter the new jobs that are being created, hopefully created, and to retrain the workers who are now on the job and need new skills.

And I commend you, Mr. Chairman, for these hearings on this very important bill.

Chairman HAWKINS. Any other statements?

Mr. Martinez?

Mr. MARTINEZ. Thank you, Mr. Chairman.

I was very honored to meet Dr. Brademas in the back room and find out right away that he was a beneficiary of bilingual education, and that he speaks Spanish more fluently than I.

I'm looking forward to his testimony. And, as my colleague, Mr. Kildee, has said, this is a time when we need to put more into education, not less. It seems that in the past few years, we've concentrated so heavily on what we appropriate for defense that everything else has suffered. And I think it's time that we reverse that trend. I think there's an absolute need to do it now. We passed a science and math bill not too long ago, which decried the void of expertise in our schools necessary to teach that subject matter. If we were going to keep up with countries like Japan and Germany, we need to have our young people trained in math and the sciences. And we hear a lot of rhetoric; it sounds good to a lot of people, but we actually have not done as much as we could have.

Now's the time to do it.

Thank you.

Chairman HAWKINS. Any other statements? If not, the Chair would, at this time, welcome our distinguished colleague. I think the other members have adequately done so, but because of a personal feeling about the witness, I should like to add my words to what has been said.

John Brademas, as you well know, became the thirteenth President of New York University in 1981. Before that, he served as a member of Congress from Indiana. For 22 years he was a member of this Committee. Recently I had the great privilege of reading his book. He has moved from Washington, D.C. to Washington Square. Today he returns to Washington, D.C.

John, the most telling memory that I have of you, I think, came in the mid-1960's, when you contributed so much to education in this country, particularly something that is very close to my heart, and that is the establishment of Chapter One, known then as Title I, and the rest of the Elementary and Secondary Education Act. Without your leadership, putting the pieces together, we would never have done that. We have tried to improve on it over the years. We think we have done so, but certainly without the foundation that you laid, we would not be even discussing it today.

So we have a very warm feeling and welcome you to this Committee this morning on that side of the table, and we'll let you proceed as you see fit. We will put into the record, the full text of your statement, and would hope that you would deal with the highlights of it, so that we would have the time to question you benevolently in connection with it.

Thank you very much. You may proceed.

STATEMENT OF HON. JOHN BRADEMAS, PRESIDENT, NEW YORK UNIVERSITY

Mr. **Brademas**. Thank you very much, Mr. Chairman, and members of the Committee for your very gracious comments. And let me say how much I count it a privilege to be back in my home territory, and how much I look forward to being with you this morning to talk about a subject that binds us all together, namely, support for American education and particularly today, higher education.

As you said, Mr. Chairman, I lived 22 years of my life on this Committee, so I regard it as a second home.

Another point I'd like to make, Mr. Chairman, represented by those who are here this morning, is that support for education in our country here at the Federal level has always been bipartisan. And I'll say a word about that in a moment.

I come before you today as one who wears several hats; that of a former member of Congress, and of this Committee; now President of the largest private university in the world; and, third, one who devotes through service on a number of boards, a fair amount of time to issues of the economy.

You've asked me to testify today on the role of higher education in strengthening America's position in the new globalized economy. Let me first speak of connections between our colleges and universities and the full range of our aspirations as a nation. I think that all of us are aware of the recent wave of reports that speak of the important place of higher education in our national life, and nearly all these reports agree on these conclusions:

First, in our country, higher education is the key to individual socio and economic advance. Second, higher education lies at the heart of a powerful and expanding economy, the major point of my testimony. Third, colleges and universities are indispensible to our national security. Fourth, colleges and universities are crucial to sustaining a lively and creative intellectual cultural and civic life.

But you've asked me, Mr. Chairman, to look at just one dimension of the contributions of higher education; namely, how it can strengthen in an increasingly competitive world the American economy. You've already remarked, Mr. Chairman, on some of the indices of our declining economic power relative to where we were four decades ago in the world. Although we are still the richest country in the world, these several indicators should give us cause for concern, and in my statement at pages 6, 7 and 8, you will find a listing of some of the indices of which I speak.

All these factors hold profound consequences, not only for our economic position, but for our national security and the quality of life of Americans.

Why do I say this? Well, serious weaknesses in our economy clearly threaten our defense edge. We've been told that Japanese and other foreign companies now supply critical components for a number of our missiles systems. American families are feeling economic strains. And for the first time in our history, our children's standard of living may not equal, let alone surpass, our own. So for all of these reasons, Mr. Chairman, which I spell out in my prepared statement, the national watchword has now become "competitiveness," a word that stirs concern from the Oval Office to Capitol Hill to mainstreet.

You're aware, Mr. Chairman and members of the Committee, that several groups have recently been formed to focus on our economic standing in the world, and in addition to these several groups, both in Congress and outside Congress, we've seen a number of approaches offered by a diversity of authorities on how we can more effectively deal with our economic problems and a light motif of all these reports and approaches is that we must give greater attention to brain power.

An article last fall in Fortune Magazine emphasized the close connection between scientific research and American productivity and strength in world markets. Among the most prominent of those making this case are Eric Bloch, the Director of the National Science Foundation; a panel of the White House Science Council, cochaired by David Packard of Hewlett-Packard, the former Secretary of Defense and Professor Alan Bromley of Yale, the Business Higher Education Forum, both the Congressional bipartisan Congressional Caucus on Competitiveness and the Council on Competitiveness, chaired by John Young, and the National Governors Association.

I was here in Washington last month attending a meeting called by Speaker Wright and Majority Leader Byrd, at which members of Congress of both parties appeared along with leaders in business, labor and academic life, to talk about the challenge of competitives. And again and again the theme was sounded that a key to a resurgence of productivity in our country is investment in education and as you said, Mr. Chairman, President Reagan noted this in his State of the Union message, as did Speaker Wright in the democratic response.

Congressman Jeffords has already alluded to a release last week of a report of the National Commission on Jobs and Small Business, on which I serve, Making America Work Again, and that report makes a clear and compelling case for support of research and development, worker training and retraining and education at every level, from preschool, that is early learning programs, through graduate school.

I note also, Mr. Chairman, that four years ago, I served on the Bipartisan National Commission on Student Financial Assistance and chaired its Subcommittee on Graduate Education. Both Mr. Ford and Mr. Erlenborn of this Committee served on the Commission, as did Senators Pell and Stafford. And our report warned of serious signs of trouble and erosion in the nation's graduate capacities, including shortages in doctoral talent, obsolete laboratories and outdated library collections and the potential loss of a generation of scholars in certain fields.

In a series of powerful speeches, Eric Bloch, the National Science Foundation Director, has similarly identified deficiencies in the nation's research capabilities, and urged greater Federal support for academic science. I have already referred to the Packard-Bromley report, known as a renewed partnership, and the conclusions of Bloch and the Packard-Bromley group are on all fours with each other and with those of the National Commission on Student Financial Assistance.

These reports all warn particularly of the serious shortage of university laboratories, equipment and facilities. They are in an alarming state of disrepair. Bloch is also disturbed by the nation's research priorities. The military proportion of the Federal R&D budget has ballooned during the last five or six years from about half to nearly three-quarters of all Federal spending on R&D.

I think it is significant, Mr. Chairman, that both Bloch and the White House Science Council Group, the Packard Bromley panel, argue strongly for a doubling of Federal support of basic research conducted at universities. Now, Mr. Chairman, I've warned, in this quick analysis, of Americans declining competitive standing in an increasingly globalized economy.

I've noted the relationship between investment in our colleges and universities and American competitiveness. I've cited several authoritative recommendations for public policy toward higher education and the consensus they represent.

Given the obvious importance of research and scholarship to our national competitive strength, we can only be alarmed at current Federal policies affecting higher education. You are all on this Committee familiar with these policies. You've already cited some of them. You, Mr. Chairman, and other members of the Committee. I simply reinforce the observation that the budget proposed by Mr. Reagan, in slashing funds for education generally for 28 percent, and higher education specifically by an astonishing 45 percent, is really a dagger at the heart of prosperity in our country, and of our national security.

I note in particular the sharp drop in financial aid to college students. Thereby, in my judgment, the Administration would be slamming shut the door of opportunity for the preparation of the students whose talents and skills are essential if America is to get back into the international competitive game.

I note, also, the new so-called income contingent loan program which would have the effect of adding enormously to the debt of American college students, already a serious problem, as the report issued last December by Congressman Obey and Senator Sarbanes for the Joint Economic Committee warns us.

One possible result of this new income contingent loan program is that today's generation of borrowers would be paying off their college debts in the future at the same time they would be struggling to pay for the college education of their children. And, in addition, we would see a substantial reduction in the proportion of women, low income and minority students going to college.

And also I note, Mr. Chairman, in terms of the economic competitiveness of our country which is the theme of our hearing this morning, this new program would discourage too many students from entering lower paying careers in teaching and academic research positions vital to American competitiveness.

But the Administration's budget, Mr. Chairman, is not the only threat to American higher education and its capacity to contribute to our nation's economy. Although the tax reform bill the President signed into law last fall represents major improvements in making the tax code fairer, and as a long time legislator, I take off my hat to my former colleagues, Chairman Rostenkowski and Chairman Packwood, for the extraordinary leadership, the measure also contains provisions threatening the nation's competitiveness.

First, the law would tax scholarships and fellowships to the extent that students do not use the stipends for tuition and equipment, a particular hardship for graduate students in paying for room and board.

Second, deductions for interest on student loans would be phased out, another cost increase for students. Third, the law would mandate, mandates a $150 million ceiling per institution on access to tax exempt financing by private but not public colleges and universities, and finally, as you know, Mr. Chairman, the law would reduce giving to higher education by eliminating the charitable deduction for nonitemizers and imposing a minimum tax on gifts of appreciated property. So at a time when, in the interest of our competitiveness, voices everywhere are urging greater investment in education, we are imposing new tax burdens on the colleges and universities of the country, and on the students who attend them.

For how can we spur competitiveness if we eliminate the deductibility of interest on student loans and tax students, especially graduate students, more heavily on their assistance. Indeed, the combination of higher interest rates on student loans proposed in the Administration's Fiscal '88 Budget with eliminating deductibility on this interest in the new tax law subjects students to a double whammy. Such changes will clearly discourage many young men and women from obtaining the advance skills our economy so clearly requires.

I've spoken, Mr. Chairman, of the nearly desperate condition of research facilities at American universities. How can we bolster their scientific capacity and so their contribution to competitiveness, if we reduce access to the financing needed to modernize facilities? I say this because many colleges and universities must rely on tax exempt bonds to build and renovate facilities and modernize equipment, and because so much high level, high quality research in the country takes place at independent universities, the per institution cap on access to tax exempt financing strikes directly at the nation's competitiveness, by blunting our capabilities both to conduct essential research and produce the next generation of scholars and scientists.

You should know, Mr. Chairman, this particular change will deny in some cases into the Twenty-First Century, some two dozen private universities' access to the tax exempt market, among them many of the nation's leading research universities, including in New York State alone, Columbia, Cornell, Rochester and New York University. By compelling such institutions to go to the more costly conventional market, this provision, in effect, imposes a new tax burden on them solely because they are private, rather than public.

This change means that for the first time, Federal policy will, by law, place private colleges and universities in a position inferior to their public counterparts. And as a member of this Committee for 22 years, I know that this Committee, in writing legislation for student aid, for example, never made such an onerous and unfair distinction.

We all know that Secretary Bennett is out on the stump attacking colleges and universities for raising tuition. Yet, Mr. Chairman and members of the Committee, the policies that he and this Administration are pursuing, cuts in student aid, increased costs of student borrowing, higher costs for renovating research facilities, tax changes that will reduce private contributions to higher education, all these factors are directly responsible for generating more pressure for the steeper tuitions that Mr. Bennett tells us he deplores. Overall, the cumulative effect of these several provisions of the Tax Reform Act is a serious loss for universities generally, and particularly private ones, a bizzare result for an Administration that rhetorically praises the private sector of American life.

Mr. Chairman, indeed, in respect of everything I've been saying, President Reagan's policies have failed to match his rhetoric. A president who promises to make America competitive, presses budget and tax measures that favor our competitors. A president who praises the place of private values and public policies pursues a course especially damaging to the private colleges and universities of the land. A president who paints a future of a star wars defense shield and a giant atom smasher urges a budget blind to the link between such visions and the educated men and women needed to make them come true.

Now, Mr. Chairman, I've asserted that our economic strength, our national security, our standard of living depend directly on the capacity of our colleges and universities to produce new knowledge and prepare future generations of scholars and scientists. But colleges and universities are not the only arena to which we must direct attention and resources.

Upgrading the skills of the American work force will demand concerted action across a range of educational fronts, from preschool programs to reform of our public schools, to adult literacy and worker retraining. But in light of the concerns of your Committee, and my position as a university president, in concluding my testimony, I'll focus on the responsibilities of the Federal government toward higher education.

In his response to the State of the Union, Speaker Wright declared, "the 100th Congress is determined to restore education to its rightful place at the pinnacle of our national priorities." I agree. How, then, Mr. Chairman, can you and your colleagues on this Committee in the 100th Congress go about this task? If the nation's colleges and universities are effectively to help prepare America for the competitive challenges of the coming decades, I believe we must take several actions.

Allow me, briefly, to enumerate them. First, we must ensure support to talented students who, because of financial need, might otherwise be denied a college education. And I salute both democrats and republicans on this Committee for the legislation that you and I and our predecessors helped write to assure that an opportunity for a college education be denied no qualified, motivated student solely because he or she cannot afford it, and I urge members of the 100th Congress to follow the example of the 99th and 98th in strengthening and rejuvenating the bipartisan coalition in support of higher education that characterized my service here, and that you reject the Administration's proposed cuts in student aid.

Allow me to make another point here, Mr. Chairman. In our justifiable preoccupation with competitiveness, the theme of our meeting, let's be careful not to turn our backs on the range of programs this Committee has written over the last quarter of a century to accomplish other worthy goals that may not be directly related to the size of the trade deficit or the rate of productivity. For the economic ends of education do not fully define this Committee's or our country's concern for the state of our schools, colleges and universities. That concern extends to assuring the benefits of an education to those likely to be excluded because of race, sex, income or physical handicap, to fostering the intellectual vigor of our national life to providing every citizen an appreciation of and capacity for the responsibilities of citizenship.

These commitments have guided you and your predecessors on this Committee and should not now be abandoned in the search for ways to advance another important goal, economic growth. Second, I urge that you strengthen the nation's capacity for advanced training and research. I've earlier alluded to the 1983 report on graduate education of the National Commission on Student Financial Aid, and our Commission's findings then are directly relevant to our discussion today. We found severe shortages of scientists and engineers. Half the students in American graduate schools of engineering, for example, are from foreign countries. And that's a serious matter because we're exporting trained talent to our competitors in world markets.

We're also threatened with inadequacies in the numbers of doctoral level scholars in other areas as promising undergraduates, faced with high costs, reduced financial aid, and uncertain employment outlook, avoid graduate school. As you said in your opening statement, Mr. Chairman, we already suffer from a serious deficiency of experts on the cultures, economies and foreign policies of other lands. And there we see in the Iranian fiasco, the price we pay for not knowing enough about other cultures and societies.

Despite these problems, there is a pattern, the Commission found, of declining Federal support for graduate fellowships and research assistantships—the number of Federal stipends for such purposes declined from nearly 80,000 in 1969 to half that fifteen years later—therefore urged a substantial increase in the number of science and engineering fellowships supported by the various Federal agencies, continued support through the National Research Service Awards program for biomedical and behavioral scientists, and additional fellowships for graduate students in the arts, humanities and social sciences.

These underscore our recommendations that Federal programs to encourage graduate study in the sciences and engineering give particular attention to women and minorities. I turn next to research.

Continuing failure to maintain adequate support for university based research will inevitably diminish the quality of preparation of graduate students, as well as slow the flow of new discoveries and ideas from our campuses. There are several points to make about the research challenge facing us today.

I quote first from Eric Bloch. "The United States has not invested in R&D in recent decades at the rate that sustained growth in a modern society requires." Our research effort lags behind our competitors. According to Bloch, when military research is eliminated from the comparison, our investment in R&D is significantly less as a fraction of GNP than that of Japan and West Germany.

Second, Federal support for basic and applied research at colleges and universities has not kept pace either with research by industry at home or abroad or with the growth in research outlays by the governments of major competitors.

A third point. In recent years, Federal research support earmarked for military purposes is high and rising. As a percentage of all Federal R&D spending, the defense share rose from 50 percent in 1980 to over 70 percent last year. The Administration's Fiscal '88 budget calls for total R&D spending of $62 billion, but only $20 billion of that for non-defense R&D. And this figure represents an actual cut from current levels.

So in light of these factors, my recommendation is simple; the Federal government must clearly increase R&D monies for civilian purposes.

There's another important component to the national R&D picture; tax policy. I know that's not within the jurisdiction of your committee, but at least let me recite the steps I think you should take, because as members of the 100th Congress, you should consider them.

First, I urge you to make permanent the new tax credit contained in the 1986 Tax Reform Act to encourage private companies to finance basic university based research.

Second, to expand and make permanent the R&D tax credit established under the 1981 Economic Recovery Act.

Third, remove the $150 million cap on tax exempt bond issues by independent colleges and universities imposed by the 1986 Tax Reform Act. This single provision not only threatens great harm to vital research programs of unversities that by necessity rely on tax exempt bonds to build and renovate laboratories and research facilities, but draws an invidious distinction between private and public institutions that should not be enshrined in a Federal statute.

Fourth, I urge you to reexamine those provisions of the '86 tax law that tax scholarships and fellowships and deny deductions for the interest paid on student loans. My concern here is that we recognize where the burden falls with these changes on students.

Next, I urge support for rebuilding the eroding physical infrastructure of colleges and universities to provide adequate libraries and modern laboratories and equipment. Here, I note that to assist U.S. universities in restoring this vital academic infrastructure, Federal assistance is essential. Mr. Chairman, I realize that all of us become very excited at the prospects that our laboratories will produce exotic new discoveries and dramatic breakthroughs. But this enthusiasm too often wanes when it comes time to discuss the equipment and facilities necessary to generate these developments.

Here, I note a new group looking at this problem, the Council on Research and Technology, a new consortium of the kind I believe Mr. Chairman that you have applauded, of universities, private companies, higher education associations, aimed at developing effective national policies to bolster research and development, both academic and corporate. At the start of the year, Cortec, as this group is known, released a draft agenda containing several recommendations relevant to our hearing today, among the most constructive of which is a proposal that each major Federal Agency with a research budget create a facility fund, the size of each fund to be proportional to the R&D budget of each Agency.

Second, a neglected but potentially important vehicle for Federal support in this area is, as this Committee knows, the Higher Education Facilities Act, Title VII of the Higher Education Act.

Next, I urge you to support, Mr. Chairman, at both undergraduate and graduate levels, funds for encouraging faculties of high quality, because another problem facing our universities, and one with a direct impact on our national capacity to produce the brain power we need to compete, is to assure a continuing supply of scholars, researchers and professors of high quality. We have serious problems today in areas like engineering, computer science, solid state electronics, digital systems, where faculty vacancies have increased because the allure of industrial and corporate life for some of our ablest professors is often irresistible with better salaries and superior laboratories, the most obvious advantages.

To attract and retain talented young faculty, especially in these endangered specialties, the report of our Graduate Education Subcommittee recommended an initiative similar to the proposal of President Reagan in 1981, the Presidential Young Investigators Program.

Next, Mr. Chairman, echoing your opening comments, I urge expanded Federal support of international education and exchange programs. As the American economy grows increasingly more dependent on international trade, we need people trained to work effectively with Japanese business councils, Arab oil ministers, European agricultural officials, and third world governments. Here, I urge support for the language training and area studies program known as Title VI of the Higher Education Act.

As the legislative father of its forerunners, namely, the International Education Act of 1966, I urge continued and expanded support of these programs that provide a help for university based national research centers, fellowships and independent research projects, as well as a small number of undergraduate programs. As this is the 40th year of the Fulbright Program, I also urge increased support for that splendid program, which today provides only half the support as was the case 20 years ago.

Next, Mr. Chairman, I urge that you devise ways of encouraging partnerships between and among business, government and institutions of education to design the technologies and develop the skills necessary for a competitive America. One approach would involve joint university industry cooperative research efforts to marry the resources of these two sectors in carrying out both basic and applied research and then more rapidly transferring the discoveries of the laboratory to the private sector.

The National Science Foundation has made a modest beginning in this respect with its new engineering research centers based at universities that focus on problems of interest to industry and include private sector jobs. These ERCs, as well as other multi-disciplinary centers proposed by NSF aim at promoting research that will ultimately support U.S. competitive strength in fields such as robotics and biotechnology.

Let me also note that the Council on Research and Technology has recommended this kind of partnership to identify the nation's interest in these areas. The second field calling for cooperation between higher education, government and business, is the retraining of workers who lose their jobs because of market changes or who desire to learn new skills to enter new careers. Two year colleges, vocational schools, adult education programs at four-year colleges and universities, offer a range of resources to help dislocated workers such as those in Congressman Kildee's district, adapt to economic change and find new job opportunities.

Specifically, I believe the 100th Congress should make permanent existing individual exemptions for employer-financed education and training now scheduled to expire this year. I understand legislation to accomplish this goal is soon to be proposed by Senator Moynihan, Congressmen Guarini and Vander Jagt, and I respectfully urge members of your Committee to cosponsor this measure.

Employee educational assistance is a valuable mechanism for upgrading skills and developing new ones. More broadly, and as recommended in the report of the Commission on Jobs and Small Business, colleges and universities can help local, state and regional efforts at economic development. And in my testimony, I cite some of the recommendations of our Commission in this respect.

Next, and finally, I urge your Committee to give attention, as you have before, to assuring excellence in American education, especially teaching. For we must make a major effort to attract and prepare the ablest men and women as teachers for our elementary and secondary schools particularly in important areas such as mathematics and science.

Mr. Chairman, allow me to conclude my testimony with some history that bears directly on what brings us together today. Eighty-five years ago at the start of this century, Great Britain was caught up in a spirited public debate over the eclipse of British economic might by the upstart Americans. A leading industrialist of the time organized a commission of businessmen, labor leaders, and educators, to travel to the United States to find out why our economy was booming and theirs sputtering.

The commission issued its report in 1902, and this was the conclusion it reached, and I quote:

"American industrial efficiency and its openness to the introduction of labor-saving innovations was largely due to the superior education of the American worker. It is the interest in and expansion of education on every level in the U.S. and the willingness of the U.S. government to spend money on education that is making American industry so threatening to Britain."

This connection, recognized at the turn of the century, between education on the one hand and a nation's creativity and prosperity on the other, was later eloquently voiced by the great philosopher, Alfred North Whitehead, whose advice Americans have wisely followed. "In the conditions of modern life," said Whitehead, "the rule is absolute. The race which does not value trained intelligence is doomed."

Well, Mr. Chairman, I do not believe the American race is doomed, if we have the wit and will vigorously to support the schools, colleges and universities of our country. And it is, Mr. Chairman, I'm proud to say, this Committee of the Congress of the United States from which, for nearly a generation, the initiative for such support has largely come. And, Mr. Chairman, I'm confident that as we look to the future of the American nation, it will be this Committee on whom the American people can continue to depend for such leadership.

Thank you, Mr. Chairman, for this opportunity to appear before you.

[Prepared statement of Dr. John Brademas and excepts from "Making America Work Again" follow:]

PREPARED STATEMENT OF DR. JOHN BRADEMAS, PRESIDENT, NEW YORK UNIVERSITY

INTRODUCTORY REMARKS

Mr. Chairman and members of the Committee, I should like at the outset of my testimony to extend warm greetings to several distinguished members of the Committee, the Chairman, Congressman Hawkins; the next senior member, Congressman Ford; the ranking minority member, Congressman Jeffords; and the new Chairman of the Subcommittee on Postsecondary Education, Congressman Williams—all valued friends and colleagues from my days on the Hill.

I offer all the members of this great Committee my very best wishes as you take up your responsibilities. I am confident that you will fashion for this Committee an impressive record of legislative achievement in this historic 100th Congress. Given the challenges facing our country today, the members of this Committee occupy some of the most significant positions in the entire Federal government.

It is, of course, a particular personal pleasure for me to appear here because, as you know, for the entire length of my own service in the House of Representatives—twenty-two years—I was a member of this Committee and of the Subcommittee on Postsecondary Education. I regard that service as among the most gratifying parts of my experience in the House and I continue to take great pride in having worked for over two decades with some of you here today and with your predecessors in shaping the policies of our national government in support of education and other areas of American life.

Allow me at the outset to underscore a significant fact about my time in Congress—it is that support for education, including higher education, has always been bipartisan. For example, I worked closely for many years and on many legislative initiatives with our former colleague on this Committee, my good friend, Al Quie, Republican of Minnesota.

That tradition of bipartisanship continues. Mr. Williams' predecessors as subcommittee chairman—Mr. Ford and now Senator Paul Simon—worked cooperatively with Congressman John Erlenborn, a Republican, and the present ranking minority member, Mr. Jeffords.

As you know, for the past five-and-a-half years, I have had the privilege of serving as President of New York University, one of the foremost urban universities in the nation and, with nearly 47,000 students, the largest private university in the world. I must tell you that as a result of my experience on the campus, I am even more convinced of the wisdom of the judgments that you and I and those who served before us made over the last generation in forging policies to assist the colleges and universities of our country and the students who attend them.

You will also not be surprised to learn that I have not lost my concern about public policy for higher education—a concern that goes beyond the interests of my own university. Moreover—something I could not do as a Member of Congress—I now sit on a number of corporate and foundation boards, serve on the Board of the Federal Reserve Bank of New York and of the New York Stock Exchange, and chair Governor Cuomo's New York State Council on Fiscal and Economic Priorities.

So I come before you today as one who wears several hats: that of a former Member of Congress and of this Committee; president of a major private university; and one who now devotes a fair amount of attention to issues of the economy.

You have asked me to testify today on the role of higher education in strengthening America's position in a globalized economy. Let me begin by commenting briefly on the connections between our colleges and universities and the full range of our aspirations as a nation.

Then I want to speak of the major economic challenges facing the country as we enter the final decades of the 20th century and the contribution that education, particularly higher education, can make in dealing with those challenges.

I want also to comment on the policies of the current national Administration and say why I think those policies have seriously frayed the educational and, therefore, the economic future of the United States.

I shall conclude by outlining an agenda for consideration by the 100th Congress to ensure that America's colleges and universities are prepared for the demands of the 21st century.

EDUCATION AND THE NATION'S ASPIRATIONS

All of us are aware of the recent flood of reports that underscore the important place of higher education in American life.

Surely one reason for these studies is the rising recognition on the part of the American people of the significance to their own individual lives and to society as a whole of what happens—or does not happen—in our classrooms, libraries and laboratories.

Nearly all these reports agree on the following conclusions:

First, in the United States, higher education is the key to individual social and economic advance. The nation's colleges and universities enable millions of young men and women to develop their skills, hone their talents and better their lives.

Second, a point to which I shall return in a moment, the enterprise of higher education lies at the heart of a powerful and expanding economy. The research and scholarship conducted on American campuses were major springboards from which we launched our extraordinary economic growth following World War II, and our universities will be a critical determinant of our economic health in the rest of this century and beyond.

Third, colleges and universities are indispensable to our national security. To design sophisticated weapons systems or implement $300 billion annual defense budgets is simply not possible without highly trained scientists, technicians and analysts. In like fashion, university-level education is central to our foreign policy. History and the social sciences and knowledge of cultures and languages other than our own are as essential to our diplomacy and the defense of our borders as are arms.

Fourth, colleges and universities are crucial to sustaining a lively and creative intellectual, cultural and civic life. The research carried on at universities has formed the cornerstone of our efforts to conquer disease, improve schools, reclaim the environment and create more humane working conditions. And by expanding our knowledge of ourselves and our place in the world, the arts, sciences and letters enrich us as individuals and as a society.

Beyond the instrumental ends served by institutions of higher learning—providing individual opportunity, strengthening the economy, securing our international position and enhancing the quality of our national life—there is another dimension to the contribution of our colleges and universities. Simply put, the world's wealthiest and most powerful free society has an obligation to foster the life of the mind as an important end in its own right. As the inheritors of Western civilization, we have a duty to preserve and add to that legacy for generations to come.

THE STATE OF THE AMERICAN ECONOMY

Now you have invited me here this morning to examine just one dimension of education's many contributions to this country, namely, how, in an increasingly competitive world, higher education can strengthen the American economy.

As all the members of this Committee know, the decline of our competitiveness as a nation has become a matter of intense concern. There are compelling reasons for this apprehension.

So let me comment on the present state of the American economy.

First, we are in many ways very strong. Although the United States is no longer the economic giant it was four decades ago, ours is still the richest country in the world. The American GNP is about triple that of Japan and six times that of West Germany. Over the past six years, while Western European countries have lost 1.4 million jobs, the United States has produced 10 million new ones.

Inflation has fallen to its lowest annual level in 25 years—a 1.1 percent rise in consumer prices in 1986, and interest rates and the dollar are down.

Despite these indications of vitality, there is more than enough evidence that the engine of the American economy may be running out of steam. Here are some of the warning signs.

Since 1981, the United States has piled up a total of $1 trillion in Federal budget deficits, double the deficits of our entire previous 200 years.

In 1984, for the first time in 75 years, the United States became a debtor nation; our country, just five years ago, the largest creditor country in the world, is not its biggest debtor.

The U.S. percentage of world exports, measured in constant dollars, shrank by nearly one-third between 1960 and 1984.

Since 1970 the growth of American productivity has dipped by half.

Real wages and salaries, the income on which most families depend, have since 1973 been falling.

We are losing high-paying manufacturing jobs and replacing them with lower-paying jobs in services.

Average unemployment has risen by nearly two percent in each of the least three decades. Today more than 40 percent of black teenagers are without jobs.

Meanwhile, the assault on American markets continues unabated.

Our foreign trade deficit for 1986 reached a record $170 billion, four times greater than it was in 1981.

Foreign countries sold one-quarter of the automobiles Americans bought in 1984 and, by 1990, will probably account for over 40 percent.

The story is much the same for consumer goods: We no longer even manufacture black and white television sets while half our color sets and two-thirds of our radios come from abroad.

Since 1960 the American steel and textile industries have been badly battered and distress has now spread from the rustbowl to Silicon Valley. The U.S. share of the world high-tech market dropped last year in seven of ten sectors.

American makers of semiconductors have lost half a billion dollars over the past two years and have laid off 65,000 workers over the last five.

All these factors hold profound consequences not only for our economic position in the world but for our national security and for the quality of life for all Americans. Why do I say this?

Serious weaknesses in our economy clearly threaten our defense edge. The National Academy of Sciences said recently that Japanese and other foreign companies now supply "critical components" for American missiles, electronic warfare devices and other advanced weapon systems. Other studies by a Defense Department group and the Central Intelligence Agency found that our semiconductor industry, a key to our defense capability, was in even worse shape than had been previously thought.

American families are also feeling these economic strains. The proportion of our people living in poverty has remained stubbornly high and economic gains appear to have benefited those with the greatest wealth. The middle-class feels increasingly squeezed.

Because each generation of Americans has always exceeded the standards of its parents in education, health, income, occupational status and material well-being, Americans have taken economic mobility for granted. But now a new prospect emerges: For the first time in our history, our children's standard of living may not equal, let alone surpass, our own.

COMPETITIVENESS: THE NATIONAL WATCHWORD

For all these reasons, then, Mr. Chairman, competitiveness has become a national watchword, stirring concern from the Oval Office to Capitol Hill to Main Street.

In recent months, two groups have been formed for the precise purpose of focusing on our economic standing in the world.

One, the Council on Competitiveness, led by John K. Young, president of Hewlett-Packard, is working to make our waning competitive situation a top priority of decisionmakers in government and industry.

The other, the 156-member bipartisan Congressional Caucus on Competitiveness, is raising the competitiveness issue here on Capitol Hill. the caucus chairmen are Democratic Senator Max S. Baucus; Republican Senator John H. Chafee; Republican Representative Claudine Schneider and Democratic Representative Buddy MacKay.

Obviously "competitiveness" is a theme that transcends professional and political partisanship, a cause around which seemingly all can rally.

Indeed, the distinguished new Speaker of the House of Representatives, Jim Wright, has said, "This may be the dominant economic issue of the remaining years of the 20th century," while in his State of the Union Message two weeks ago, President Reagan pledged to guarantee that "Government does everything possible to promote America's ability to compete."

Although we see a burgeoning consensus that we must bolster American competitiveness, this tongue-twisting phrase has become a catchall category for an array of issues—trade and antitrust measures; fiscal and monetary policies; the tax code; intellectual property rights; management techniques; the quality of American products; American attitudes toward work and saving; and finally, of course, investment in research and development, science and technology, and in education at every level.

COMPETITIVENESS AND AMERICAN BRAINPOWER

Certainly, prominent among the several approaches being advanced for dealing with our economic problems is greater support of American brainpower.

An October 1986 essay in "Fortune" magazine emphasized the close nexus between scientific research, on the one hand, and, on the other, American productivity and strength in world markets. The report, entitled, "The High Tech Race," says, "Capital, abundant natural resources and economies of scale in the world's largest developed market all contributed to the doubling of output per man-hour over the past 40 years. But the largest single factor has been the forward march of U.S. science and technology.

Indeed, more and more voices are urging renewed attention to education, research and development as essential to restoring America's economic position in the world. Among the most prominent of those making this case are Erich Bloch, Director of the National Science Foundation; a panel of the White House Science Council; the Business-Higher Education Forum; both the Congressional Caucus on Competitiveness and the Council on Competitiveness; and the National Governors Association.

Last month, I attended a meeting here in Washington, called by House Speaker Wright and Senate Majority Leader Byrd to consider steps the 100th Congress should take to spur competitiveness. Present for the discussions were Senators and Congressmen of both parties as well as leaders from business, labor and academic life. Again and Again, the conference participants sounded the theme that indispensable to a resurgence of productivity in the United States is investment in education and research.

And, in his State of the Union Message, President Reagan highlighted the role of education in promoting competitiveness as did Speaker Wright in the Democratic response.

RECENT POLICY RECOMMENDATIONS

Here I note that for the past fifteen months, I served on the National Commission on Jobs and Small Business, convened by a bipartisan group of Senators and Congressmen, and composed of twenty-two leaders from business, government, banking, science and labor. Our report, "Making America Work Again," was released just last week.

The group, whose honorary co-chairmen were Presidents Jimmy Carter and Gerald R. Ford, makes a clear and compelling case for support of research and development, worker training and retraining, and education at every level—from early learning programs through graduate school.

Our report calls for a revival of America's spirit of enterprise and new attention to the potential of entrepreneurs and small businesses as forces for economic growth. Small business firms, according to the study, create 60 percent of the new jobs in the United States and are responsible for half the gross domestic product.

Let me also here note some earlier studies and reports by scholars and business and government leaders that emphasize the importance of higher education to America's economic future and make recommendations for appropriate action by the Federal government.

Virtually all these studies are extremely critical of present national policy toward higher education and research.

Four years ago, I served on the bipartisan National Commission on Student Financial Assistance, and I chaired its subcommittee on graduate education. Our Commission's report was issued in December 1983. Both Mr. Ford and Mr. Erlenborn of this Committee served on the Commission as did Senators Pell and Stafford.

Our report warned of "signs of trouble and erosion" in the nation's graduate capacities, including serious shortages in doctoral talent, obsolete laboratories and outdated library collections, and the potential loss of a generation of scholars in certain fields.

The Commission members—who were chosen by President Reagan, then Speaker O'Neill and then Senate President pro tem Thurmond—unanimously agreed that indispensable to excellence in graduate education is the support of the Federal government.

In a series of powerful speeches, Erich Bloch, Director of the National Science Foundation, has indentified serious deficiencies in the nation's research capabilities and asked for greater Federal support for academic science.

Last spring, a report entitled, "A Renewed Partnership," was issued by a Panel on the Health of U.S. Colleges and Universities. This panel, co-chaired by David Packard, chairman of Hewlett-Packard and former Secretary of Defense, and Professor Allan Bromley of Yale University, was created by the White House Science Council at the request three years ago, Dr. George A. Keyworth, then Science Adviser to the President.

The conclusions of both Bloch and the Packard-Bromley group are on all fours with each other and with those of the National Commission on Student Financial Assistance.

In the past decade, says Bloch, there has been a troubling decline in doctorates in mathematics, the physical sciences and engineering, with the Soviet Union and Japan turning out proportionately more engineers than the United States. He warns that this gap will grow wider as the American college-age population drops over the next decade.

Here I remind you that across these several graduate disciplines, minorities and women are grossly underrepresented.

After years of neglect and inadequate support, university laboratories, equipment and facilities are in an alarming state of disrepair, say Bloch and other authorities. The needs in this area are staggering—some estimates run as high as $10 billion for equipment and $20 billion for facilities.

Beyond his concern about the poor condition of university laboratories and equipment, Bloch is also disturbed by the nation's research priorities. The military portion of the Federal research and development budget has ballooned during the Reagan years from about half to nearly three-fourths of all Federal spending on R&D. Here I cite two other authorities who are deeply troubled by this trend: Dr. Lawrence Bogorad, president of the American Association for the Advancement of Science; and Dr. Frank Press, president of the National Academy of Sciences.

The report on the status of academic science prepared by the White House Science Council group—the Packard-Bromley panel—also deplores the deterioration of facilities, obsolescence of equipment, and shortages of science and engineering faculty. "Our universities today," warn these experts, "simply cannot respond to society's expectations for them or discharge their national responsibilities in research and education without substantially increased support."

Mr. Chairman and members of the Committee, I think it significant that both Bloch and the White House panel argue strongly for a doubling of Federal support of basic research conducted at universities.

Now where does my analysis lead?

First, I have warned of America's declining competitive standing in an increasingly globalized economy.

Second, I have noted the relationship between investment in our colleges and universities and American competitiveness.

Third, I have cited several recent authoritative recommendations for public policy toward higher education and the virtual consensus they represent.

Given the evident importance of scholarship and research to our national competitiveness, we can only be alarmed at current Federal policies affecting higher education.

Although the details of these policies are familiar to all of you here, let me quickly review them for you.

BUDGETS

I begin with the Administration's budget for fiscal 1988. Mr. Reagan proposes to slash funds for education generally by 28 percent and for higher education specifically by an astonishing 45 percent.

To make my point, I cite three areas of the Reagan budget, all related to our economic strength: university-based science research and development, international studies, and student financial aid.

The Reagan proposals for academic research and development present a mixed picture. The President seems to be giving with one hand and taking away with the other. The Administration seeks a large boost in money in FY '88 for basic research through the National Science Foundation, a result of the strong leadership of Erich Bloch.

Nevertheless, once again this year, the Administration is urging cuts in funds for the National Institutes of Health, which account for 40 percent of Federal support of university science.

Although the amounts involved are modest, Mr. Reagan is also continuing his campaign to kill support for another area where, in the new international economy, we need all the information and wisdom we can get—international studies. The President remains hostile to such investment despite the judgment of such persons as Defense Secretary Weinberger and former Secretary of State Kissinger that knowledge of foreign languages, cultures, political and social systems is vital to the nation's security—as the Iranian fiasco surely demonstrates.

But as everyone on this Committee realizes, the worst casualty of the Reagan budget is financial assistance to college students. In fiscal 1988 the Administration would chop student aid by a full 45 percent below the amount Congress voted for FY '87. Think of it: Mr. Reagan wants to cut student aid from $8.2 billion this year to $4.5 billion!

The Department of Education says that this budget would eliminate 3 million student awards. Hardest hit would be one million students now receiving Pell Grants, which go to the financially neediest. These students would simply lose this crucial help.

Indeed, the budget would abolish—completely do away with—all the following programs: Supplemental Educational Opportunity Grants (SEOG); National Direct Student Loans (NDSL); State Student Incentive Grants (SSIG); the Graduate and Professional Opportunities Program (GPOP); Jacob Javits National Graduate Fellowships; and even the College Work-Study Program.

If enacted, the White House '88 budget would force all but the very, very poorest students to turn to loan programs that would make going to college much more expensive and would substantially increase student indebtedness. For example, changes the Administration wants in the Guaranteed Student Loan Program, on which over 3 million students in the country now depend, would make these loans more costly for borrowers.

Moreover, the "new" Income-Contingent Loan program, introduced with such fanfare by Secretary of Education Bennett, would no longer subsidize interest on student loans and would link repayments to a student's earnings after college. Some experts estimate that student borrowers would have far larger bills to pay and would stay in debt for decades.

This program, I need not to remind you, is really not new. Last year, Congress rejected the Administration's bid for $90 million for the same scheme, said the proposal required further study and voted $5 million for a pilot program.

Suddenly, without knowing if the experiment even works, the Administration wants to escalate it to $600 million.

Perhaps the most scathing critique of the Income-Contingent Loan idea comes from Boston University president John R. Silber, who advanced a similar proposal ten years ago. President Silber warns that the Administration's plan will mean "very much higher" interest rates than those he had envisioned, and that the maximum annual repayment is "a crippling 15 percent of income," nearly twice the percentage he had recommended!

One possible result of the Income-Contingent Loan program is that the present generation of borrowers would be paying off their college debts in the future at the same time that they would be struggling to help pay for the college education of their children. Another danger, as Harold Howe, the former U.S. Commissioner of Education, warns, is that we could see "a substantial decrease" in the proportion of women, low-income and minority students attending college.

And finally, the Income-Contingent Loan program would discourage students from entering lower-paying careers in teaching and academic research, positions that are vital to American competitiveness.

Although I have been speaking here today of the Administration's budget for fiscal 1988, I remind you that Mr. Reagan also wants to eliminate retroactivity $2.7 billion that Congress has already appropriated for education for fiscal 1987, more than half the $5.7 billion in retroactive rescissions the Administration is seeking throughout the entire Federal government!

So that you can better understand the impact of the Reagan Administration's proposals, particularly for student aid, let me tell you their effect on our overwhelming low and middle income student body at my own New York University. Approximately 3,000 NYU students would lose their Federal loans or grants, a 22 percent drop, from $40.2 million to $31.2 million. I note here that NYU students from 1981-82 through 1985-86 already lost $11 million in Federal student aid, an 18 percent decline in support. And I must add that 80 percent of the students at NYU already hold part-time jobs in order to pay their way.

But Mr. Chairman and members of the Committee, the Reagan budget is not the only threat to American colleges and universities and their contribution to the strength of our economy.

TAXES

Although the tax reform bill President Reagan signed into law last fall represents major improvements in making the tax code fairer—and as a long-time legislator, I take off my hat to my former colleagues, Dan Rostenkowski, Chairman of the House Ways and Means Committee, and Bob Packwood, former Chairman of the Senate Finance Committee, for their extraordinary leadership—the measure also contains provisions that threaten the nation's competitiveness.

First, the legislation will tax scholarships and fellowships to the extent that students do not use the stipends for tuition and equipment, a particular hardship for graduate students in paying for room and board. Second, deductions for interest on student loans will be phased out, another cost increase for students.

Third, the new legislation mandates a $150 million ceiling per institution on access to tax-exempt financing by private but not public colleges and universities. And finally, the law will reduce giving to higher education by eliminating the charitable deduction for non-itemizers and by imposing a minimum tax on gifts of appreciated property.

So at a time when, in the interests of our competitiveness as a nation, voices on every hand urge greater investment in education, we are in effect imposing new tax burdens on the colleges and universities of the United States and on the students who attend them.

For how can we spur competitiveness if we eliminate the deductibility of interest on student loans and tax graduate students more heavily? Indeed, the combination of higher interest rates on student loans proposed in the fiscal '88 budget and eliminating deductibility on this interest in the new tax law subjects students to a double whammy. Such changes will clearly discourage many young men and women from attending the advanced skills our economy so urgently needs.

Mr. Chairman, I have already spoken of the nearly desperate condition of the research facilities at American universities. How can we bolster their scientific capacity and thereby their contribution to competitiveness if we reduce access to the financing needed to modernize facilities?

As you know, many institutions of higher education must rely on tax-exempt bonds to construct and renovate facilities and modernize equipment. Because so much high-level, high-quality research in this country takes place at independent universities, the $150 million per institution cap on access to tax-exempt financing strikes directly at the nation's competitiveness by blunting our capabilities both to conduct essential research and produce the next generation of scholars and scientists.

This particular change will deny, in some cases for a decade or more, some two dozen private institutions access to the tax-exempt market. Among them are many of the nation's leading research universities, including in New York State alone, Columbia, Cornell, Rochester and New York University.

By compelling such universities to go to the more costly conventional market, this provision, in effect, imposes a new tax burden on them and solely because they are private rather than public institutions. Indeed, this change means that for the first time, Federal policy will by law place private colleges and universities in a position inferior to their public counterparts. Now I know that this Committee in its legislative deliberations has never made such an onerous and unfair distinction.

We all know that Secretary Bennett is out on the stump attacking colleges and universities for raising tuition. Yet the policies he and this Administration are pursuing—cuts in student aid, increased costs of student borrowing, higher costs for renovating research facilities as well as tax changes that will reduce private contributions to higher education—all these factors are directly responsible for generating more pressure for the steeper tuitions Mr. Bennett tells us he deplores.

Here I must acknowledge one constructive revision in the 1986 legislation—a new 20 percent tax credit for sponsorship of basic research at colleges and universities.

Overall, however, the cumulative effect of these several provisions of the Tax Reform Act is a serious loss for American higher education generally and a particular blow to independent colleges and universities, a bizarre result for an Administration that rhetorically praises the private sector of American life.

Indeed, Mr. Chairman, in respect of everything I have been discussing, President Reagan's policies have failed to match his rhetoric.

A President who promises to make America competitive presses budget and tax measures that favor our competitors.

A President who praises the place of private values in public policies pursues a course especially damaging to the public colleges and universities of the land.

A President who paints a future of a "Star Wars" defense shield and a giant atom-smasher urges a budget that is blind to the link between such visions and the educated men and women needed to make them come true.

For from where are these highly trained people to come if not from the nation's colleges and universities? President Reagan has not seemed to understand the close connection between the achievement of goals he himself espouses and a strong system of higher education.

AGENDA FOR ACTION

Now I have asserted that our economic strength, our national security and our standard of living depend directly on the capacity of our colleges and universities to produce new knowledge and prepare future generations of scholars and scientists. If we fail to exercise leadership on education, we jeopardize all these dimensions of our national life.

I hasten to add that support of education is not the sole responsibility of any one sector of our society. The Federal government, state governments, foundations and business and industry all have an interest in ensuring the vitality of learning in America.

Nor are colleges and universities the only arena to which we must direct our attention and resources. Upgrading the skills of the American workforce will demand converted action across a range of educational fronts, from improved pre-school programs to reform of our public schools to adult literacy and worker retraining.

In light of the concerns of this Committee and of my position as president of a university, I shall, in concluding my testimony, concentrate on the responsibilities of the Federal government toward higher education.

In his response to the State of the Union Message, Speaker Wright declared, "The 100th Congress is determined to restore education to its rightful place at the pinnacle of our national priorities." I agree. How then can you as Members of the 100th Congress and of this key Committee go about this task?

If the nation's colleges and universities are effectively to help prepare America for the competitive challenges of the coming decades, we must, I believe, take several actions:

Ensure support to talented students who, because of financial need, might otherwise be denied a college education.

The several measures to support education and that members of this Committee, both Republicans and Democrats, and I helped write were a direct expression of our conviction that an opportunity for a college education should be denied no qualified and motivated student solely because he or she cannot afford it.

To that end we constructed, through a series of higher education laws, a fabric of grants, loans and work-study jobs to help able but needy young men and women go to college.

You and I can all see the disturbing signs that the commitment that informed that approach is being eroded. I urge members of the 100th Congress to follow the example of the 99th and 98th Congresses in rejuvenating and strengthening the bipartisan coalition in support of education that characterized my years in Congress and that you reject the Administration's proposed cuts in student aid.

For we cannot, as a nation, expect to restore our productivity by slamming shut the door of educational opportunity on millions of young Americans.

Allow me at this point, Mr. Chairman, to make a more general observation. In our justifiable preoccupation with our competitiveness let us be careful not to turn our backs on the range of programs this Committee has written over the last quarter-century to accomplish other worthy goals that may not be directly related to the size of the trade deficit or the rate of productivity.

For the economic ends of education do not, in my opinion, fully define this Committee's or this nation's concern for the state of our schools, colleges and universities. That concern extends to assuring the benefits of an education to those likely to be excluded because of race, income or physical handicap; to fostering the intellectual and aesthetic vigor of our national life; to providing each citizen an appreciation of and capacity for the responsibilities of citizenship.

These commitments have guided you and your predecessors on this Committee and should not now be abandoned in the search for ways to advance another important goal, namely, economic growth.

Strengthen the nation's capacity for advanced training and research, essential to producing experts in fields vital to our national interest.

I alluded earlier to the 1983 report on Graduate Education of the National Commission on Student Financial Assistance. Our Commission's findings then are directly relevant to our discussion today.

First, the Commission found severe shortages of scientists and engineers. For example, half the students in American graduate schools of engineering are from foreign countries. The implications of this fact for our economic future are ominous: not only are we failing to educate the new generation necessary to develop or own manufacturing technologies but we are exporting trained talent to our competitors in world markets.

Analyses by Nobel Laureate Wassily Leontief, professor of economics at New York University, indicate that the rate of technological change in America work life portends a deepening crisis in the skill levels of our workforce. By the year 2000, Leontief warns, America may have a shortage of as many as 15 million scientists, engineers, skilled mechanics and semi-skilled workers.

We are also threatened with inadequacies in the numbers of doctoral-level scholars in other areas as promising undergraduates, faced with high costs, reduced financial aid and an uncertain employment outlook, avoid graduate school. We already suffer from a serious deficiency of experts on the cultures, economies and foreign policies of other lands and face the potential loss of a generation of scholarship in the humanities and social sciences.

Despite these problems, there is a pattern, the Commission found, of declining Federal support for graduate fellowships and research assistantships. The number of Federal stipends for such purposes declined from nearly 80,000 in 1969 to half that fifteen years later.

The Commission, therefore, called for the following steps:

A substantial increase in the number of science and engineering fellowships sponsored by the various Federal agencies;

Continued support, through the National Research Service Awards program, for biomedical and behavioral scientists; and

750 additional fellowships annually for graduate students in the arts, humanities and social sciences.

As you know, Congress did act on this last recommendation in creating the Jacob Javits National Graduate Fellowship program, which the fiscal 1988 Reagan budget—as did his FY 1987 budget—seeks to eliminate.

I should here underscore the Commission's recommendations that Federal programs to encourage graduate study in the sciences and engineering give particular attention to women and minorities. In coming years, these groups will clearly constitute a larger portion of the student population. The loss of their talent to graduate education is a loss to the entire nation.

Let me turn to research. Continuing failure to maintain adequate support for university-based research will inevitably diminish the quality of preparation of graduate students as well as slow the flow of new discoveries and ideas from our campus classrooms and laboratories.

There are several points to make about the research problem facing our nation today.

First—and I quote here from Erich Bloch—"The United States has not invested in R and D in recent decades at the rate that sustained growth in a modern society requires." Our research effort lags behind our competitors. According to Bloch, when military research is eliminated from the Comparison, our investment in R and D is significantly less, as a fraction of GNP, than that of Japan and West Germany.

A second point: Federal support for basic and applied research at colleges and universities has obviously not kept pace either with research by industry at home or abroad, or with the growth in research by outlays by the governments of major competitors.

I must here note that basic research now accounts for less than 1 percent of the total Federal budget of $1 trillion.

A third point: In recent years Federal research support ear-marked for military purposes is high and rising.

As a percentage of all Federal R and D spending, the defense share rose from 50% in 1980 to over 70% last year. The Administration's fiscal 1988 budget calls for total R and D spending of $62.4 billion, but only $20.4 billion of that is for non-defense R and D and this figure represents an actual cut from fiscal 1987 levels.

In light of these trends, my recommendation is simple and straighforward: the Federal Government must clearly increase R and D funds for civilian purposes. This means substantially increasing the research budgets for the National Science Foundation as well as for the Federal mission agencies.

There is another important component to the national R and D picture—tax policy. Although this is not an area within the jurisdiction of this Committee, let me at least briefly urge the following steps because they are an important part of your agenda as Members of the 100th Congress.

First, make permanent the new tax credit contained in the Tax Reform Act of 1986 to encourage private companies to finance basic research at universities.

Second, expand and make permanent the R and D tax credit established under the Economy Recovery Act of 1981.

Third, remove the $150 million cap on tax-exempt bond issues by independent colleges and universities imposed by the Tax Reform Act of 1986. This single provision not only threatens great harm to vital research programs of universities that by necessity rely on tax-exempt bonds to build and renovate laboratories and research facilities, but draws an invidious distinction between private and public institutions that should not be enshrined in a Federal statute.

Fourth, I urge re-examination of those provisions of the 1986 tax law that tax scholarships and fellowships and deny deductions for the interest paid on student loans.

My concern here is that we clearly recognize where the burden falls with these tax changes—on students.

Rebuild the eroding physical infrastructure of colleges and universities to provide adequate libraries and modern laboratories and equipment.

The material needs of advanced scientific investigation are vast, growing, and in some cases extremely expensive. Yet our investment in such equipment and facilities has been dangerously deficient.

Federal obligations to universities for R and D plant dropped precipitously between 1966 and 1983, by 90 percent in constant dollars. Half the physical plant of American higher education—research laboratories, equipment, libraries and classrooms—is more than 25 years old. One-quarter of this plant was built before World War II.

And universities are now able to meet only half their accumulated research needs. To replace and renew the physical plant of our colleges and universities will cost from between $10 to $20 billion.

To assist U.S. universities in restoring this vital academic infrastructure, Federal assistance is essential.

I realize, Mr. Chairman, that all of us become excited at the prospects that our laboratories will produce exotic new discoveries and dramatic breakthroughs. But this enthusiasm too often wanes when it comes time to discuss the equipment and facilities necessary to generate these developments.

One group that has carefully examined the nation's research needs is the Council on Research and Technology, a new consortium of universities, private companies and higher education associations formed to develop effective national policies to bolster research and development, both academic and corporate.

At the beginning of the year, CORETECH—as the group is known—released a draft public policy agenda which contains several recommendations relevant to our discussions today.

Among the most constructive of these ideas is a proposal that each major Federal agency with a research budget should create a Facility Fund, with the size of each Fund to be proportional to the R and D budget of each agency. Federal monies could also be made contingent on non-Federal matching funds.

A neglected but potentially important vehicle for Federal support in this area, I need not remind this committee, is the Higher Education Facilities Act, Title VII of the Higher Education Act.

Maintain at both undergraduate and graduate levels, faculties of high quality.

Another problem facing colleges and universities, and one with a direct impact on our national capacity to produce the brainpower we need to compete, is to assure a continuing supply of scholars, researchers and professors of high quality.

In areas such as engineering and computer science, particularly computer engineering, solid-state electronics, and digital systems, faculty vacancies are already a serious problem. The allure of industrial and corporate life for some of our ablest faculty members is often irresistible; better salaries and superior laboratories are the most obvious advantages.

In other fields, the problem is nearly reversed as depressed employment markets limit faculty turnover in the humanities and social sciences.

In their recent book, "American Professors: A National Resource Imperiled," Howard R. Bowen and Jack H. Schuster estimate that to meet future teaching and research needs, American colleges and universities must recruit nearly half a million persons into professional ranks over the next 25 years. Yet there has been a gravitational shift of students—among them, the most academically gifted—away from careers in the academy.

To attract and retain talented young faculty, particularly in the endangered specialties, the report of the Graduate Education Subcommittee recommended an initiative similar to the Presidential Young Investigators Program first proposed by President Reagan in 1981 to support young faculty researchers. Participants' salaries would be paid partly by Federal funds and partly by matching money from business and industry.

The aim of the program is to enhance the attractiveness of academic careers to young scientists and engineers. Of course, such a program could also be extended to young faculty members in the arts, humanities and social sciences.

Expand Federal support of international education and exchange programs.

Our capacity as a nation to understand, communicate and conduct business with other peoples and nations is gravely threatened by our lack of knowledge of languages and cultures different from our own.

As the American economy grows increasingly more dependent on international trade, we need people trained to work effectively with Japanese business councils, Arab oil ministers, European agricultural officials and Third World governments.

I cite only one of an array of alarming findings about America's knowledge of other countries: there were, in 1979, 10,000 English-speaking Japanese business representatives on assignment in the U.S. but less than 900 American counterparts in Japan, few of whom had even a working knowledge of Japanese.

The Language Training and Area Studies Program (Title VI of the Higher Education Act) supports research and instruction in modern foreign languages. Currently authorized at $55 million Title VI supports university-based national resource centers, fellowships, and independent research projects as well as a small number of undergraduate programs. As the legislative father of the forerunner of Title VI, the International Education Act of 1966, I urge continued and expanded support of Title VI programs.

I must mention here one of our most famed international exchange efforts, the Fulbright program which this year is celebrating its 40th anniversary. Since 1946 the Fulbright program has enabled 54,000 Americans to teach and study abroad and over 100,000 scholars from over 120 countries to come here.

The program reached its peak in 1965 with a budget of $76 million and with 9,000 scholars participating. By 1981 Fulbright funds had declined to $48 million and only 5,500 scholars took part.

From 1981 to 1985 Congress raised appropriations for the Fulbright Exchanges by 80 percent to $77 million. Even so, in 1984–85, the number of Fulbrighters was half that of 20 years ago. I believe it is in our national interest to restore our previous level of commitment, indeed to surpass it.

Devise ways of encouraging partnerships between and among business, government and institutions of education to design the technologies and develop the skills necessary for a competitive America.

Here I would single out for mention two areas in which cooperation among these various sectors of our society can yield impressive results.

One involves joint university-industry cooperative research efforts. The goal here is to marry the resources of these two sectors in carrying out both basic and applied research and then more rapidly transferring the discoveries of the laboratory to the private sector.

The National Science Foundation has made a modest beginning in this regard with its new Engineering Research Centers, which are based at universities, focus on problems of interest to industry and include private sector employment. These ERCs, as well as other multi-disciplinary centers proposed by NSF, aim at promoting research that will ultimately support U.S. competitive strength in fields such as robotics and biotechnology. President Reagan has signaled a willingness to expand the ERC approach as one way to spur the nation's competitive position.

I might here mention an example of fruitful university-industry cooperation drawn from my own institution. New York University's Courant Institute of Mathematical Sciences is currently working with IBM to design programs for the fifth generation of computers: the "ultracomputers" that are faster and more sophisticated than any yet built.

And let me also take this opportunity to cite once more the Council on Research and Technology as the type of partnership among the worlds of business, industry and government needed to identify the nation's interest in these areas, fashion workable proposals and push for their adoption.

The second area calling for cooperation between institutions of higher education and government and business is the retraining of workers who lose their jobs because of market changes or desire to learn new skills to enter new careers.

Two year colleges, vocational schools and adult education programs at four-year colleges and universities offer a range of resources that can help dislocated workers adapt to economic change and find new job opportunities.

Here I believe the 100th Congress should make permanent existing individual exemptions for employer-financed education and training, now scheduled to expire this year. I understand that legislation to accomplish just this objective is soon to be proposed by Senator Moynihan and Congressmen Guarini and Vander Jagt. I respectfully urge the members of this Committee to co-sponsor this measure. Employee educational assistance is a valuable mechanism for upgrading skills and developing new ones.

More broadly—and as recommended in the report of the Commission on Jobs and Small Business—institutions of higher education can assist local, state and regional efforts at economic development. This report calls all colleges and universities to work with local public, business and labor leaders to decide which of the following resources it can best provide: Research and analysis; training programs; technology transfer efforts; entrepreneurial institutes; centers of excellence in areas of outstanding faculty strength.

Assure excellence in American education, particularly teaching.

We must make a major effort to attract and prepare the ablest men and women as teachers in our elementary and secondary schools—a special responsibility for schools of education.

Education schools are even now upgrading both the quality of their curricula and the caliber of their students. But while reforming teacher education, colleges and universities must do a better job of encouraging undergraduates to pursue a career in teaching.

By 1992 the country will need 1.3 million new school teachers. Yet between 1973 and 1983, the number of teacher graduates dropped by 53 percent and enrollment in teacher education declined by one third.

At New York University we have established generous scholarships for students who want to be schoolteachers. But to encourage students to pursue teaching degrees, the Federal government should also provide incentives such as grants and forgivable loans.

The nation's schools and colleges are in particular need of improved mathematics and science instruction. The report of the Commission on Jobs and Small Business recommended the following efforts to address this problem: Tougher requirements for high school and college graduation; salary supplements to attract better math and science teachers to our secondary schools; grants and forgivable loans to encourage undergraduates to pursue careers in science and mathematics and college teaching in those fields; and magnet schools for students talented in math and science.

CONCLUSION

Let me conclude my testimony with some history that bears directly on what brings us together today.

Over eighty-five years ago, at the start of the 20th century, Great Britain was caught up in a spirited public debate over the eclipse of English economic might by the upstart Americans. A leading industrialist of the time organized a commission of businessmen, labor leaders and educators to travel to the United States to find out why our economy was booming and theirs sputtering.

The Commission, which issued its report in 1902, reached the following conclusion:

"American industrial efficiency and its openness to the introduction of labor-saving innovations was largely due to the superior education of the American worker * * *. It is the interest in and expansion of education on every level in the U.S. and the willingness of the U.S. government to spend money on education that is making American industry so threatening to Britain."

This connection, recognized at the turn of the century, between education and a nation's creativity and prosperity was later eloquently voiced by the great philosopher Alfred North Whitehead, whose advice most Americans have wisely followed. "In the conditions of modern life," wrote Whitehead, "the rule is absolute. The race which does not value trained intelligence is doomed."

Well, I do not believe the American race is doomed * * * if we have the wit and the will vigorously to support the schools and colleges and universities of our land. It is, Mr. Chairman, this Committee of the Congress of the United States from which for nearly a generation the initiative for that support has largely come. And Mr. Chairman, I am confident that, as we look to the future of the American nation, it will be this Committee on whom the American people can continue to depend for such leadership.

Thank you, Mr. Chairman, for this opportunity to appear before you.

"MAKING AMERICA WORK AGAIN"

FINDINGS AND CONCLUSIONS

This section presents the findings and conclusions of the Commission in four major areas: (1) preparing our people to compete: (2) encouraging greater savings and investing them productively; (3) expanding export opportunities, including those for small businesses; and (4) minimizing the impediments to the growth of small firms.

Much of what we have to report causes us concern not only because of the impact of these factors on businesses large and small but also because of the complexity of the environment in which these difficulties are embedded. Demographics, tax policy, and the productivity of workers abroad affect our workforce nearly as much as the foresight of our leaders in government, business, and industry. Although these broader issues frame our thinking, our task is not so much to analyze causes as to address consequences. Our findings and conclusions, therefore, are the basis for recommendations on what needs to be done not a brief for assigning blame.

OUR PEOPLE UNPREPARED

Of particular concern to the Commission are signs that our people are not armed with the knowledge they need to deal with the changes around them. Two weaknesses stand out. First, the quality of our workforce—blue- and white-collar alike—must be improved. We must act on our understanding that education bears directly on our economic health and well-being. Second, that educational effort must be more firmly grounded in a clear perception of the changed conditions of enterprise in the modern world and of the dynamics of the economy that supports us.

EDUCATION AND THE WORLD OF WORK

The speed of change in today's business world demands unprecedented levels of skill, commitment, and flexiblity on the part of our workers and managers. Our educational institutions are not, in the Commission's view, preparing our young people for the lifetime of change that lies before them.

Too many young people even the well educated and well trained, are unable to bring the skills they have acquired to the tasks before them in productive and competent ways. Nor has our workforce acquired the ability to reconfigure those skills to meet new challenges and solve new problems. Even our schools of business have concentrated on developing executives to manage people, wealth, and resources, largely ignoring the need to develop the entrepreneurial talent to create wealth and resources.

Too often a weak educational program in our schools and colleges is followed by an inadequate system for delivering continuing education and retaining to the workforce. Many students appear content to do the minimum necessary to obtain their secondary certificates or college diplomas, hoping to slide by in their adult years with what they learned in the first 20. And, while other countries consciously work to train and retain large portions of their workforce each year, we seem content with uneven efforts to provide training and retraining for only one half of one percent of ours.

There is widespread agreement that serious attention must be paid to upgrading the skills of the American workforce:

Functional Illiteracy: Millions of Americans are, for all intents and purposes, illiterate, unable to comprehend the simplest written instructions. Although precise figures on the number of illiterate Americans are a matter of debate, the economic impact of widespread illiteracy is beyond dispute. Figures from the 1980 Census indicate that about 75 percent of the unemployed are "functionally illiterate," and the Business Council for Effective Literacy estimates that welfare and unemployment support related to illiteracy costs up to $6 billion annually.

Skills of Secondary School Graduates: The reports of many recent commissions and other prestigious bodies concerned with education have documented the declining skill levels of the average high school graduate. Of particular concern to this Commission are the findings of the National Assessment of Educational Progress (NAEP) indicating that "higher order" skills such as reasoning, problem solving, and writing are substantially below the standards required for success in the modern world. For example, in a 1986 NAEP examination of writing skills, only 25 percent of 11th graders were judged "adequate," raising serious questions about their ability to succeed in school, business, the professions, or government.

No Coherent Training Policy: Vocational schools, community colleges, public service employment, and youth training activities strive to train and retrain the workforce, but there is no sustained, coherent public policy toward training to support them. Since 1962, the federal government has adopted and abandoned 14 different training strategies. Greater stability in these efforts would surely produce better results.

Engineering Shortage: Half of the students in American graduate schools of engineering are from foreign countries. Our supply of highly skilled engineers, and the teachers who will one day train them, is seriously threatened. Not only are we failing to educate the new generation that will develop and implement our own manufacturing technologies, we are exporting the trained talent that strengthens our competitors in world markets.

We can do better. Indeed, we have no choice: analyses by Nobel Laureate Wassily Leontief of economics at New York University, indicate that the rate of technological change in American work life portends a deepening crisis in the skill levels of our workforce. By the year 2000. America may have a shortage of as many as 15 million scientists, engineers, skilled mechanics such as machinists, and semi-skilled workers including assemblers and welders. A similar number of managers, sales personnel, and clerical help will face a glutted job market and unemployment.

UNDERSTANDING THE CHANGED CONDITIONS OF ENTERPRISE

Several analysts and surveys point to a widespread lack of understanding of our economic difficulties and of the workings of our economy:

New Competitive Environment: There are several indicators that neither our businesses nor our leadership are reacting appropriately to new international conditions. Even as foreign competition stalks domestic markets, only a fraction of our businesses export their products. The rapidly changing economy poses a fundamental challenge to the traditional view of work and career: all of us can expect multiple job and career changes during our working lives. Our diplomatic and commercial interests are tongue-tied by the inability of Americans to speak the language of other lands or to understand their cultures.

No Understanding of Entrepreneurship: University of Michigan researcher John Jackson testified before the Commission that the public has little or no understanding of the job-creating role of small business in the United States or of the contributions of entrepreneurs.

Lack of Knowledge of Economics: A disquieting number of American high school students, according to the joint Council on Economic Education, do not understand how the American economy works. Surveys indicate that education in economics is not required for high school graduation in most states and school districts. In consequence, students are unfamiliar with the role of business, government, and labor in the economy; nor do they grasp such basics as supply and demand, the importance of trade, and the relationship between productivity and wages.

Educators Equally uninformed: Educators are equally uninformed. Far from understanding capitalism as a system for creating wealth, many of them think first of its excesses. Few American schoolteachers have completed even a single economics course in college, and only eight percent of American adults were taught economics in school. Nearly seven times as many adults report that their understanding of economic issues comes mainly from commercial television.

Surely it is not too much to ask that our schools provide graduates with the knowledge of the changing conditions of the world in which they must earn a living. Despite isolated efforts, most students appear to leave school underinformed—even misinformed—about economic matters, including the role of business in American life.

RECOMMENDATIONS

In light of the need for action, the Commission has agreed on five recommendations. The difficulties we have defined, though severe, are not insurmountable. The major task lies in forging the national will to respond to the competitive challenge before us.

The recommendations of the Commission serve three broad purposes. First, they outline institutional mechanisms to focus sustained attention on the problems we have discussed. In this regard they are but the first steps in a continuing and difficult process. Second, they suggest some immediate actions to improve our economic performance and particularly, to utilize an asset that has, until now, been largely ignored—small business. Finally, the Commission hopes to define some common ground on which the leaders of industry, small business, government, education, and labor can agree.

The recommendations serve as suggestions for what we need to do, not as rigid guidelines for how to do it. As such, they represent a starting point for productive debate.

RECOMMENDATION A—MOBILIZE OUR PEOPLE

We recommend a major effort, engaging the attention of public and private leaders nationwide, to alert Americans to the realities of the new world economy, to improve public understanding of our economy and the role of enterprise in it, and to emphasize Americans' opportunities for full employment through creative participation in the nation's economic life as entrepreneurs, business owners, and employees.

IMPLEMENTING RECOMMENDATIONS

1. Public Leadership: Elected officials should take the lead in developing, sponsoring, and articulating the message about the basic elements and dynamics of the new world economy to our people. Specifically, all governors should lead an examination of the effects of international competition within their states, including attention to its impact on jobs and on small firms. Local officials should foster a fertile climate for small business and employment growth, encouraging new firms to start and existing firms to expand. Federal officials should insist that issues of employment and competitiveness remain high on the national agenda and should marshal the political will and confidence of our people to respond to the tasks before us.
2. Private Sector Leaderships: Unions, corporate executives, business owners, and their trade associations should increase their efforts to inform their employees and members of the issues described in this report. We urge corporate and union leaders together to develop educational initiatives to inform the workforce of company plans and prospects for the future and to stress each employee's personal stake in the global economy.
3. Public Understanding: In light of the extraordinary importance of these matters, the President should deliver an annual message to Congress on improving the nation's competitive position and expanding employment opportunities for the American people. Communications leaders in newspapers, magazines, television, and radio should provide more and better analyses of issues relating to the health of the American economy.
4. Education: Each state board of education should act to insure that today's students are prepared to function in tomorrow's world. The study of foreign languages and cultures is essential, as is a solid preparation in modern history, current affairs, and world geography. Social science and economics are also important if our young people are to understand the values, dimensions, and benefits of our economic system. In this effort, particular attention should be paid to the quality of teaching since so few schoolteachers themselves understand the dynamics of our economic system. All prospective teachers should study economics.
5. Education for Opportunity: Those who dream of creating a business need the skills to run one. Every state should review the educational offerings of its schools—in particular, its vocational programs in secondary schools and community col-

leges—to make available training in business creation, including business and financial planning, cash flow management, employee development, and managing and consolidating growth. Efforts should be made to involve small business owners in developing these curricula as well as in teaching.

RECOMMENDATION B—PREPARE OUR WORKFORCE

We recommend national efforts to: (1) provide workers and managers with the skills required to compete in and adapt to the new business environment; and (2) develop the flexibility needed to begin new roles, even new careers, in a changing economy.

IMPLEMENTING RECOMMENDATIONS REGARDING SKILLS

1. Early Learning: Today's infants will be the entry-level employees of the 21st century. Educational research demonstrates convincingly that uncorrected early learning deficiencies are compounded with the passage of time. We believe that to help assure a productive and competitive workforce, every community should provide stimulating preschool learning environments, available on a voluntary basis, and more rigorous elementary school education to prepare students for high school.
2. Educational Standards: Implementation of the recommendations for more rigorous school standards for students and teachers of the National Commission on Excellence in Education and of the Carnegie Forum on Education and the Economy is essential and long overdue. Following through on these reforms will lead to American workers, managers, and teachers who are more skilled, more adaptable, more conscientious, and better prepared for the world of work. We urge business leaders to set aside time to work with local schools and colleges in support of these efforts. Many tasks need attention: guest lecturing, volunteering for education task forces, hosting visiting student groups, and other activities that create business-education partnerships.
3. Mathematics and Science: The pressing need for improved mathematics and science instruction to upgrade the technical skill of our workforce must be addressed by efforts such as: (a) stronger requirements for course completion for high school and college graduation; (b) salary supplements to attract more able teachers of mathematics and science to our secondary schools; (c) grants and forgivable loans to encourage undergraduates to pursue careers in science, mathematics, engineering, and teaching; and (d) magnet schools for particularly talented students in math and science.
4. Colleges and Universities: Public and private colleges and universities, including community colleges, have an extraordinary array of resources that can assist local, state, and regional economic development. We recommend that each educational institution work with local public, business, and labor leaders to decide which of the following resources it can best provide: Research and analysis, training programs, technology transfer efforts, entrepreneurial institutes, or centers of excellence in areas of outstanding faculty strength.

IMPLEMENTING RECOMMENDATIONS TO ENCOURAGE FLEXIBILITY

1. Training and Retraining: Private and public efforts to train, retrain, and enhance the skills of employees need to be expanded. We recommend: (a) business support for educational leave and tuition reimbursement for employees' educational expenses; (b) amending existing public job-training programs to encourage local public agencies to place participants in internships with small business; (c) carefully designed and managed employment opportunities in the public sector, accompanied by mandatory education and training, that will provide job experience for poorly skilled entry-level workers and encourage regular work habits.
2. Employers and Training: Because U.S. employees frequently change jobs, employers are less inclined to sponsor training and retraining. Federal and state governments should encourage business investment in employee development through special tax or other incentives
3. Individuals and Training: Existing individual exemptions for employer-financed education and training, scheduled to expire in 1987, should be maintained and made permanent. Many economists and business leaders have suggested that businesses cooperate with their employees to establish individual training accounts, similar to Individual Retirement Accounts, as a mechanism for upgrading skills and developing new ones. We believe this idea, including the possibility of tax deferrals on contributions and on the interest they earn until used, is worthy of serious exploration and experimentation.

4. Portable Pensions: In the new economy, where career change is a constant, the pension structure must be simplified to enable employees to plan their retirement security. The first step is to accept the principle of a pension that travels from job to job and employer to employer. Varying structures for implementing this principle have been proposed; all have merit. It is time to act on the principle.

We have an obligation to create jobs that offer a future of self-development—jobs that are not merely life sentences to drudgery.—John Sloan, National Federation of Independent Business.

Chairman HAWKINS. Thank you, John, for an excellent statement. Last year, the Committee in organizing had the problem of trying to accommodate members of this committee who wanted to be on the Higher Education Subcommittee, chaired at that time by Mr. Ford.

Everybody on the Committee seemed to be gravitating towards that Committee because the Higher Education Act was to be reauthorized. This year, they gravitated in a different direction towards the elementary and secondary.

Mr. BRADEMAS. That's because you're chairing it, Mr. Chairman.

Chairman HAWKINS. Really, it's because of the subject matter, I think. I think your testimony has given the Subcommittee on Post Secondary Education the outline of some of the things that they've got to do, and if anyone got off of that committee to get on my subcommittee, I think they have made somewhat of a mistake. You certainly have indicated a lot of action.

I think that Mr. Williams, who is the new chairperson of that subcommittee, who is here and listening to you, knows what his charge is now, and I think you've done an excellent job in doing so.

The Chair would like to yield to Mr. Gaydos.

Mr. GAYDOS. Thank you, Mr. Chairman.

Let me, at this time, doctor, express my great satisfaction of being able to be here today. Haven't seen you for quite some time, and I served many years with you on the House Administration Committee and also on this committee. And, as usual, I expected to receive what we received today from you, a very scholarly approach. I want to commend you for it.

And I know I just mentioned to Pat Williams, here, Chairman of the Higher Education Committee, that he could use that as a prototype following his agenda coming up in the next few years, and I'm sure he wouldn't be misguided.

Let me remind you, if I may, and I'd like to have your position or opinion at this time and this place in your testimony, that we're talking about a trade bill, and let me go back, back in '71, we had our first trade deficit in this country, something in the neighborhood of $5 billion. This year, we're expecting close to $200 billion deficit. And with those facts in mind, I like your approach where you mentioned on page 13 that—and you recognize—that colleges and universities aren't the only arena to which we must direct our attention and resources. And you mention other places, and we're talking about specifically work training programs which should be of the utmost interest to me, being in Pittsburgh, where we've lost a work force in that area of 33,000 steel workers down to less than 5,000. And all because of the trade problem we have.

My question to you, and I'm only going to ask you one question, you mentioned one of the recommendations, government cooperation along with the higher educational community. If you were to respond to me and my question as to what should we do, since we have a limited capacity in this trade bill, what in your opinion would be the most important thing we could do incorporating some provisions in this trade bill which would pertain to what you mentioned as far as the cooperation between the universities of this country, higher education and our government, per se.

Mr. **Brademas**. If I were to single out beyond the obvious point of continuing adequately to fund student assistance and to continue the elementary secondary programs, I think it would be to encourage government at the Federal and state levels, in particular, to work with industry that has a scientific and technological base and universities that have a strong scientific and technological base to bring together both the physical facilities and the human resources to focus on developments that have powerful job creating impact.

That's a one-sentence response.

Let me add one other anecdote, Mr. Gaydos, of which I'm reminded by what Mr. Kildee said. Because as both of you know, my home Congressional district was South Bend, Indiana, and I used to work on the Studebaker assembly line many years ago, working my way through college. And years later, in 1968, I remember very well how then Senator Bayh, Senator Hartke and I walked into the Oval Office to call on President Kennedy, and said, Mr. President, unless you do something, sir, Studebaker's going to collapse, and that's bad for our state; it's bad for our country, given that Studebaker is so nationally and internationally famed, and with respect, sir, that's not good for either our Senators or for the Congressmen, or, sir, for you.

And the President said, I wish I could do something about it; there isn't anything I can do about it. Because this was in the days before Penn Central, Lockheed, Chrysler, New York City. We didn't have bailout programs then. And Studebaker collapsed. And suddenly there were several thousand people out of work in my home town.

We found, as we did surveys of the unemployed workers, that many of them could not functionally read and write. They'd got away with working for a long time in that respect, and that's where much—it's out of the Studebaker experience —not only that the pension guarantee program came, but also much of the original Manpower Training Act came, including the Adult Basic Education program.

Well, that made such a powerful impact on me, without going into the follow-up that I as a Congressman did, although I will tell you, we brought President Johnson in on a helicopter with the Secretary of Commerce and the Secretary of Labor, and he said, I'm here and how can I help. We had a different attitude on the part of the leaders of the government. That was one thing.

Certainly a different attitude on the part of the President, and I may say of the representative in Congress of that time, and we moved in and we helped. We helped get the town back on its feet. But what is the point of my story? Mr. Gaydos, you have the good fortune to be a graduate of the University of Notre Dame, and I remember still how 25 years ago or so, I would try to persuade the business leaders of northern Indiana and southern Michigan, on their way on Saturday afternoon across the Notre Dame campus to the football game, to stop off and see these magnificent new engineering laboratories that Father Hesburgh had built so that they could say to themselves, what kinds of new economic activities can we get into that are different from such immense reliance on the automotive industry.

Studebaker is gone; Bendix, which was also founded in South Bend, is moving out. The point is, and I brought in Jim Webb, the head of NASA, I was trying, Mr. Jeffords, to educate the people, leaders of my District.

You've got to do something about this; you better look over the horizon because there's going to be trouble ahead, unless you do. And what I think a Congressman could do, and what I think your Committee can do, is to help fashion legislative measures that will encourage such cooperation by provision of funds for research facilities, facilities and equipment are extremely important. Mr. Jeffords has been quite accurate in his expression of concern about this in other forums.

That will have the kinds of characteristics of which I speak; namely, focus on scientific, technologically based activities that will put us out ahead. Let's not be doing the same old things, but also, and I was on the telephone to Governor Cuomo, the Governor of my new state, last week on a related matter, making the point in respect to a particular project for which I was urging his support, this kind of project is not only important from a university point of view, an intellectual point of view, a scientific point of view, but it will lead to creating more jobs out on the frontier.

And it's that kind of cooperation that I think should be encouraged by your Committee. And the way you do it is to write laws and vote money—got to have money—to make possible the facilities human and physical to move in these directions.

Mr. GAYDOS. If I may, Doctor, let me comment at this time that I think you make a salient point. You've said it well, and I wanted you to say that, because I think that's the crux of our problem. In comparison to our international competitive partners, or so-called partners, trading partners, I've always found an obvious lack in this country as far as that close unionship in cooperative situations between our business community and our government. On the surface it should be there; nine times out of ten it isn't there.

And the history, the historical analysis proves it isn't there, so I think you make a great point and I think it's important because a man of your caliber making that point.

Mr. BRADEMAS. Thank you. And if I may add, Mr. Gaydos, and I know this is a matter on which Mr. Hawkins has strong feelings, that if you examine carefully the report of the National Commission on Jobs and Small Business—and I would ask that appropriate pages be put at the end of my testimony, you will observe that a very substantial percentage of the new jobs that are created in the United States are not created by the huge vast corporations, but by small business firms. And I think we need to give much more attention to encouraging the kind of advanced research and technology on the part of small business that will create jobs, as well.

Mr. GAYDOS. I want to thank you very much. I'd like to ask you a lot more questions, but of course——

Mr. **Brademas**. Mr. Gaydos, the Chairman is giving me the silent treatment.

Chairman **Hawkins**. Oh, I think we've been quite liberal, Mr. Gaydos.

Mr. **Brademas**. I'll try to be briefer in my response. I keep forgetting, Mr. Chairman, that I'm a child of the House and not of the Senate.

Chairman **Hawkins**. May I suggest that the members try to confine themselves to the five-minute limit under the rules. We have two other witnesses who have time problems.

Mr. **Brademas**. Nothing has changed, Mr. Chairman.

Chairman **Hawkins**. Well, John, we're going to continue to hear from you a lot of times, I can assure you of that.

Mr. Jeffords?

Mr. **Jeffords**. Thank you.

Very very excellent statements, John.

I agree with you, there seems to be a philosophical confusion in the Administration as to which direction they are going, and I think that we must take some of the blame for what happened in the tax bills. I certainly agree that on the one hand, you can't say that its up to the private colleges and the private enterprise system to provide all the capital that's necessary and then on the other hand, turn around and bludgeon you with a tax bill on your ability to raise it within the private institutions, and cut back the funds for students going to private institutions.

I'd like to follow up a little bit on that in this respect. You have outlined, and others have, and I have talked about the tremendous needs in such things as basic research, needs for better incentives for graduate students, etcetera, etcetera. And yet, those are going to take funds and money.

And my question to you is if we just provide the direction without funds, will it be possible for private institutions or others to your knowledge to be able to do it without any Federal help financially? In other words, if we just say we need more money put into basic research and universities, there's a somewhere between a $4-$40 billion gap there as to what's needed. If we need to fund the graduate programs, if we need to provide incentives, and then we say that's what needs to be done, but do nothing with respect to funding, is it possible for that to——

Mr. **Brademas**. No, sir. No, sir, it is not. And in this connection, I'll also ask consent at the end of my testimony to insert a splendid paper by Eric Bloch, entitled, "Basic Research; the Key to Economic Competitiveness" in which he responds to the question about the appropriate Federal role. Let me make this point to you, Mr. Jeffords.

There are 3,200, approximately, post-secondary institutions in the United States. Only about 200 of them have endowments of even $1 million or more. So the suggestion that somehow American colleges and universities have access to some vast reservoirs of wealth into whch they can dip to fund these research facilities is simply not accurate. They are enormously expensive facilities. There's no question about that.

And it is impossible in respect to many of these facilities for private industry on its own to fund them. President Reagan is now speaking of Federal support for a new super collider facility in the atomic field. He's not suggesting, even given his particular point of view, that private industry bear the whole burden of that. His chairman, and during his election campaign or immediately after his election the first time, Simon Raymod, distinguished scientific industrialist, made the point very eloquently, that basic research is simply too expensive not to be funded by the Federal government.

And in my statement, I describe how woefully deteriorated is the physical infrastructure of research facilities in the United States. Congress has, and I was here and plead guilty, also, we have repeatedly failed to vote sufficient Federal funds for facilities. It's not as glamorous; it's not as romantic; but there has to be someplace where these activities can be carried on. And universities do not have that kind of money.

Let me speak from the viewpoint of New York University. I have to raise money for my university, members of this Committee, it's the largest measured in numbers of students independent university in the world. We have about 47,000 students, about half that full time equivalent. I have to raise about $1.5 million every week; every week. My university's endowment per student is approximately in 1985 figures, $19,000.

Princeton—and I laud them—is about $260,000 or more per student. Notre Dame I judge is about, as I remember, Mr. Gaydos, $33,000. Columbia, as I recall, about $66,000. We have a fine university. We're working hard to make it an even greater university. But we don't have some vast endowment into which we can dip if we want to erect, let us say a new clinical research facility at our medical school, one of the great medical centers in the country, may cost $100 million. And I'm out fighting every day to raise money from private individuals, from business and industry, but the answer to your question, Mr. Jeffords, is that if the government of the United States does not vote adequate funds for the resources human and physical to maintain a first class, top quality research capacity at American universities, we are condemning our country to economic decline by comparison with the other nations of the world, and second, which is not the focus of this Committee, but I must say it—we are driving a dagger in the heart of the security of our country.

You cannot have $300 billion annual military expenditures without highly trained scientists, administrators, technicians. It is not possible to do that. Whether Star Wars is a good idea, or not, we can debate. But assuming that it is, it is impossible even to conceptualize it unless you have people produced at our universities who have been working in laboratories. So we're talking about the economic strength of our country and the security of our country.

And here I agree with Terrell Bell, the predecessor of Secretary Bennett, the first Secretary of Education in Mr. Reagan's Administration, when he said last fall in a report that he issued, those who would slash student aid, those who oppose public investment in education, are unwittingly abetting an act of national suicide. That is not John Brademas, former democratic member of this Committee. That is Terrell Bell, a Utah Republican who was the Secretary of Education in Mr. Reagan's first administration. I agree with him.

Mr. **Jeffords**. Thank you.

Chairman **Hawkins**. Mr. Kildee?

Mr. **Kildee**. Thank you, Mr. Chairman.

Mr. President, I think you responded already to my question. My question is more rhetorical but I think you just responded a great deal to it.

I still would appreciate some expansion on that, if you could.

What would people from afar, either in time or in place, think of our nation's commitment to competitiveness or to the future, if they were to look at the President's budget for education for 1988?

Mr. **Brademas**. They would think two things: first, they don't understand; and second, they don't care.

Mr. **Kildee**. I think that's a good summary, and I appreciate that. I think that's a good answer, John. Thank you, very much.

Thank you, that's all I have.

Chairman **Hawkins**. Mr. Coleman.

Mr. **Coleman**. Mr. Brademas, we have had some shared experiences, but not together. I left New York University with a graduate degree before you got there and so our paths have crossed.

I want to point out that your concern with graduate education is one of the reasons last year we reauthorized the Higher Education Act enacting Part D of Title II, the Graduate Assistance in areas of national need section. Presently we have the ability to fund teaching and research positions and to fund institutions. I hope and, I know, that you support such a concept. Now the idea is to get these programs funded.

We need to, under certain circumstances, increase the funding of graduate programs—GPOP and the Javits Fellowships that you mentioned—and to gain funding for Part D. I think what you're saying and what others have said, and what I'm also saying to this Committee and to the Congress is; we can't look at graduate education in a vacuum as some sort of nicety that we might be able to have or not have. But it really goes to the heart of the competitiveness issue. Whether or not we are not only currently exporting jobs out of this country, we are creating a future job export problem by training foreign nationals in our country to go back and do it better than we can in future generations.

In fact, we have within our system the kernel of our next trade problem that will befall my children and yours. This really is the nut of the problem. I'm glad that you're addressing your remarks to this issue I am going to use this, analysis as a very critical component of my efforts in this Congress. We are discussing national needs. We appreciate your support and the linkage, if you will, between graduate education, research and competitiveness. We need to break this job export cycle right now and for the future by funding these graduate education programs.

Mr. **Brademas**. Mr. Coleman, I agree with every word you've just said. I'm well aware of your splendid leadership, as well as that of Mr. Jeffords in this respect, especially on graduate education and what you have said and what I know Mr. Jeffords has said and done, only reinforce my earlier observation that the tradition of support for higher education in this Committee has been bipartisan, and I am heartened greatly by your eloquent statement.

Chairman **Hawkins**. Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

I want to add my congratulations to you, John Brademas, on the very thorough and complete statement, one which we've come to expect from President Brademas as we did from Congressman Brademas.

It is my understanding, Mr. Chairman, that we have to have this trade bill out by the first week in April. If we're going to do a thoughtful and appropriate job, one that will stand the test of the next decade, we need to try to pull together the best people we can to assist us in writing the education portion of this bill.

I'm concerned about the hopscotch nature of the focus of both the President and the Congress in recent years. It's almost seemed as if we've moved around at the speed of light with regard to our attention on issues. Monday is drug abuse day and Tuesday's math and science day, and Wednesday is illiteracy day, and the President speaks glowingly of them, and the next time we hear from him, he's sent a budget up to cut them, to cut the drug abuse or illiteracy or whatever it is by half.

I think that the American people are seriously worried that the President and the Congress are not focusing long enough on any issue to really do it some good. After all, a quick review of history shows that we focused for five full years on the Great Society, scratching and twisting and amending and turning and studying and rewriting. Until we really did get it right, and did a lot of good with it.

John, if we're to make both a quick difference with regard to trade, from the education standpoint of it, and a long term difference that will stand us through the next decade, give us your two best recommendations with regard to how we achieve both of those.

[Prepared Statement of Hon. Pat Williams follows:]

PREPARED STATEMENT OF HON. PAT WILLIAMS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Our Nation's once undisputed pre-eminence in international trade is facing unprecedented challenges from foreign competition. Our friends around the globe, are for the first time in decades seriously challenging us in both the marketplace of goods and the marketplace of ideas.

There is no single cause nor is there a single answer to our current predicament. In devising specific solutions we must develop clear principles to guide our approach.

One such principle is that state-of-the art research and development at colleges and universities, in partnership with industry, represents an effective and efficient long-term component of a strategy designed to improve our competitiveness. Research discoveries made on our campuses can regularly be transformed by industry into valuable economic goods and services.

A recent report entitled "A Renewed Partnership", prepared by the White House Science Council, Panel on the Health of U.S. Colleges and Universities, points out that university-based research has been 70 percent supported by federal funds and that more than 60 percent of the basic research performed in this country is conducted at universities. The Panel concludes that it is the federal contribution that will determine the rate of growth of the research system. The Panel goes on to conclude that: "The interaction of industry with the universities is essential to provide an effective exploitation of the research base. This partnership is critical to our national well-being in an increasingly competitive world marketplace."

This renewed focus on postsecondary institutions as a strategy for helping the Nation regain its competitive edge comes at a unfortunate time. There are disturbing signs that higher education's research and development infrastructure, which supports much of America's research, is deteriorating. A recent report by the Business-Higher Education Forum and others entitled: "An Action Agenda for American

Competitiveness" explains that the facts and figures documenting the deteriorated state of America's university R&D enterprise are plentiful and grim. For example, on average, university research equipment is twice as old as comparable equipment in industry. A recent survey by the National Science Foundation found that 20 percent of university scientific equipment is obsolete and no longer used, while 72 percent of the polled department heads said that lack of adequate equipment is preventing critical experiments.

In sum, America cannot regain its status as the world's leading and most aggressive trader unless we have appropriate support for research and development efforts at postsecondary institutions in partnership with industry.

Mr. **Brademas**. First, Mr. Williams, let me warmly congratulate you on becoming the new Chairman of the Postsecondary Education Subcommittee, on which I've sat all the time I was here. I know you're going to do a splendid job following in the footsteps of Bill Ford and Paul Simon.

Second, let me enter a footnote in respect to drug abuse education, because you may be interested, Mr. Chairman, to know that 18 years ago, I believe it was, I opened hearings as Chairman of the Select Education Subcommittee on the Drug Abuse Education Act during the Nixon Administration, and looked at my statement the other day, and I could repeat it today. And I share your concern, Mr. Williams, that last fall the President and Congress joined to do something about drug abuse education, and then we've seen the Administration's budget retreat from that commitment.

But to come more immediately to your question, I would say there are two areas in which the Congress and the President should move. To put them in general terms; human resources and second, physical resources. You've got to keep the students coming, and that means student assistance with particular attention to graduate education in the science and technological fields in respect of our competitive position. Not solely but particularly.

And second, there must be much greater attention paid than we've been paying in the last 20 years to facilities, physical facilities and equipment for research. Those are the two major areas to which I would urge that you give attention.

Mr. **Williams**. We all took note with some astonishment of the fact that you have to raise $1.5 million a week. We have to raise $5.5 billion a week, and that's just to keep the Pentagon going. That's what it comes to, $5.5 billion a week. I mentioned the Pentagon because we've spent most of our time around here in the last six years trying to keep them going.

Mr. Brademas, it's been nice to see you again.

Mr. **Brademas**. Just let me have for my university what they spill coming over the Fourteenth Street Bridge everyday.

Mr. **Williams**. I hear you.

Thank you, Mr. Chairman.

Chairman **Hawkins**. Mr. Bartlett.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Mr. President, I wonder if we could, I'd just like for an information base to explore a little bit about New York University and perhaps other private, the aggregate of private universities around the country.

Can you give us a rough idea of what percentage of your budget does come from the Federal government?

Mr. **Brademas**. I really couldn't. I could give you specific figures if I were to look at our medical school or our student financial assistance. I can tell you that, here I have some figures by my assistant.

This is Federal assistance for New York University for Fiscal Year '88. From the Department of Health and Human Services, the Secretary of which, by the way, is my dear friend and distinguished former constituent, Dr. Otis Bowen, National Institutes of Health, Public Health Service and ADAMA, the University-wide total is estimated at $40 to $50 million.

Student financial aid, $40 million. National Science Foundation, $6 million plus. Department of Energy, $6 million plus. Department of Defense, $3.5 million. Department of Education, just under $3 million. Then several other lesser amounts below $1 million for a total of approximately $108 million. And the budget, the annual budget of New York University for the current academic year is $767 million.

Mr. **Bartlett**. So roughly $1 in $7 comes from the Federal government, of which $40 million of that, or almost half of it, is in the form of student financial aid, which is repaid by the students. And I think it's always important to remember that that's where the loan may come from, comes for a private institution that's guaranteed by the Federal government, the money really comes from the students. They pay the money, they pay that loan back.

Mr. **Brademas**. Yes. Of course, I've not tried to break down, and I don't have that in front of me, Mr. Bartlett, the spread among the various forms of student assistance such as college work study, Pell grants, guaranteed student loans, and others. So some would be repaid and some wouldn't.

Mr. **Bartlett**. So somewhere in the neighborhood of say ten percent, if you threw in the subsidy of the student loans.

Mr. **Brademas**. Oh, that, anyway.

Mr. **Bartlett**. So, your advocacy before this Committee in terms of America's competitiveness would be to do what to that number for New York University. To double it? To increase it by five percent? To triple it?

What would be your advocacy that would increase America's competitiveness?

Mr. **Brademas**. I have not chosen, Mr. Bartlett, to couch my testimony in terms of the particular needs of New York University. Perhaps it's because I was a member of this Committee for a long time, and in a sense when I appear here today, I put my hat on not as a special pleader for my University, although I'm perfectly prepared to do that, but rather speaking about the needs of American higher education generally, and in another arena and I've already alluded slightly to this in my testimony. I would make a special point of the importance of maintaining a pluralistic system of American higher education, where we have not only public and——

Mr. **Bartlett**. I understand.

Mr. **Brademas** [continuing]. And independent, but independent colleges.

Mr. **Bartlett**. I didn't mean to personalize it to that standpoint.

Mr. **Brademas**. Sure. Well, let me give you——

Mr. **Bartlett**. I'd be happy to broaden the question. Would you, what would you advocate as far as Federal spending if other private universities follow the same pattern and perhaps ten percent of their budget comes from the Federal government, would you advocate that we double that, or how, what would your answer be?

Mr. **Brademas**. Let me respond in a very specific way to your question in respect of student aid. And this will give you an idea of—this will show you how modest and prudent and conservative I am in my response to your question. I'm—I would be delighted if you wouldn't hurt us anymore. Federal support for students at NYU has declined over the past five years by $11 million or 18 percent. Reductions have had a considerable impact on these students and I'd be very pleased, I suppose I'd say, if you would simply put us back to where we were before.

I would even not fight about inflation, I should also tell you, Mr. Bartlett. You may be amused to learn for the last four years, I've been the Chairman of the Federal Reserve Bank Board of New York, and so I'm not unaware of what the Fed has done by way of making its contribution to the fight against inflation.

What my concern has been about the last five years, and I'm well aware that we've not made many advances for education, or in other domestic areas of American life, just don't hurt us anymore. Don't, don't, don't undermine and weaken the capacity of our colleges and universities to contribute to our economy and our national security anymore. Just bring us back to where we were and I'd be grateful.

Mr. **Bartlett**. President Brademas, in just the minute or so remaining to me, I would just comment, and if you'd like to expand any further, that I was quite impressed by the——

Mr. **Brademas**. Thank you.

Mr. **Bartlett** [continuing]. By the National Commission report which you cited. It seems to be a pretty extensive report, which doesn't mention a specific number or increase in either, it doesn't mention student aid, so far as I can tell. It does have one line in it that increases public and private support of university-based research and development. That would I assume include SDI?

Mr. **Brademas**. No.

Mr. **Bartlett**. Much of the SDI as occurs at universities.

Mr. **Brademas**. No. There's no, the word SDI so far as I know, was never mentioned in any of the deliberations.

Mr. **Bartlett**. You're correct.

Mr. **Brademas**. That report does not single out specific weapons systems to endorse or not endorse.

Mr. **Bartlett**. No, you're correct. I was just impressed by the recommendation in terms of its specificity in most areas; increasing the national savings rate, balancing the budget at no more than 20 percent of the gross national product, which would imply not raising taxes to get there.

Mr. **Brademas**. Not necessarily.

Mr. **Bartlett**. Well, the taxes that's now—we now collect Federal taxes about 19.6 percent of the gross national product, so .4 percent I would assume would be——

Mr. **Brademas**. There are various ways of moving toward reducing the budget deficit, and we could argue about that.

Mr. **Bartlett**. We consider it essential that federal revenues and expenditures be brought into balance at approximately 20 percent of the gross national product. We can leave the record open. I assume that that means without any significant raising of taxes at 20 percent because 20 percent——

Mr. **Brademas**. I don't assume that at all.

Mr. **Bartlett**. I see. They advocate reestablishing the investment tax credits, small business mutual fund, and long term investment. Its a very specific and quite a well done report.

Mr. **Brademas**. Yes, thank you.

Mr. **Bartlett**. And I appreciate your testimony.

Mr. **Brademas**. Thank you, Mr. Bartlett.

Chairman **Hawkins**. Mr. Martinez?

Mr. **Martinez**. Yes, Mr. Chairman, thank you.

In reading your testimony on pages 3 and 4, you've covered I think, a lot of problems that are interrelated. We have a tendency in Congress to think singularly about an immediate problem and concentrate on it, not realizing that there are a lot of other things that come to bear.

And in reading those two pages, it came to mind that this great economic recovery we hear about, and that we're in the midst of, hangs its hat on two facts also mentioned in your testimony; ten million new jobs and the lowest inflation rate in 25 years. But conversely, in that same testimony you mention that in the last five years we've doubled the deficit of the previous two hundred years.

Plus, we are now a debtor nation for the first time in 75 years, and the real wages, on which we all depend for a decent living, are lower in buying power than they have been in the last ten years. Added to that, we're losing our high paying jobs and replacing them with low paying jobs. We're replacing them with service jobs that ironically we're now in danger of losing to foreign competition. The unemployment rate among black women and teenagers averages around 21 percent. You can start to get a pretty foggy picture of this great economic recovery.

And now we have a general unemployment rate that I seem to remember was intolerable in 1980. In 1987, to some, 7 percent is tolerable. And finally, looking at one of the statements you have in your testimony, we had a record trade deficit in 1986 of $170 billion. Having said all of that, explain to me if you can, what is the great economic recovery other than words? In your opinion, is our economy in trouble?

Mr. **Brademas**. Well, I think that though in many ways, as I said, we are still the richest and most economically powerful country in the world, there are these various signs of serious economic danger, which I have listed, and some of which, Mr. Martinez, you've recited. I called to the attention of members of the Committee and perhaps it was because I campaigned for Congress 14 times and I therefore am sensitive to the difference between promises that politicians make and performance, I cannot help, I cannot resist recalling that President Reagan promised that by 1984, we would have a balanced budget and that by fiscal 1986, which ended last fall, we would have a surplus in the Federal budget of $29 billion and in view of the fact that the deficit for that year was $221 billion, that's a little mistake there, a shortfall of a quarter of a trillion dollars. $250 billion. And that huge budget deficit is spilling over in a wide variety of very dangerous ways in to the rest of our economic and social life in this country.

It's certainly linked to the huge trade deficit of which we've been speaking. It is clearly a Damoclean sword hanging over every member of this Committee as you think about how to get the resources, the financial resources with which to finance the various kinds of facilities and human resources programs that I have here been endorsing because you know that the squeeze is on. And at the same time, you have in the White House a President who is unwilling to face up to the very clear, I think rather simple, implications of the mathematics of the arithmetic of the policies that he has pursued. Because when in 1981, you had the huge increase in military spending at the same time as the huge reduction in tax revenues, you didn't have to really be a Nobel laureate to understand that at some stage, there was going to be a gigantic increase in the deficit of the budget of the government of the United States, and that's where we are today.

And I just heard the splendid speech given last Friday morning at the annual meeting of the National Association of Independent Colleges and Universities by Speaker Wright, in which the speaker described a conversation that he had with the President of the United States on these matters. And it's been a difficult time for the President these last few months, and I don't really need to add to his burdens, but if you go listen to that speech, which I urge you to do, you come away with a heavy heart. Because you do not have a sense, in all respects, that the President has really faced up to the problem that effects every member of this Committee, that effects every citizen of this country.

We've got to get on top of the budget deficit, and well, I could expand, but what I'm saying is, I fear that we're going—whoever the next president of the United States is, whether he or she may be a democrat or a republican, will have to face up in my political judgment to the terrible consequences of this extraordinarily irresponsible fiscal policy that the present President of the United States has been following for the last several years.

Chairman HAWKINS. Mr. Ballenger?

Mr. BALLENGER. Thank you, Mr. Chairman.

Mr. Brademas, if I may, I'm a freshman and I haven't served with you. But going back to student aid where you specifically mentioned the cuts from $8.2 billion to $4.5 billion, I think it was 20, 25, 30 years ago, before the Federal government got into granting scholarships which at that time were not repaid, I know in my little town in North Carolina, Hickory, we had a Rotary club that had 10 or 15 scholarships, the Kiwanis club had 10 or 15; almost every civic club there had these scholarships that were available to students and they were well examined and so the student had to be well qualified to receive these.

Because of the Federal government's getting into the scholarship area, almost all of these scholarships disappeared. There was no longer any—why should anybody borrow money from the Kiwanis club when they could borrow it from the Federal government and maybe not pay it back?

Now, my question to you is, do you know, or have you any idea how it would be possible to get the private sector back into this area which would obviously assist in avoiding, I mean, at least supplanting the cuts that we've received? It just appears that I know civic clubs that almost all over the United States who would be happy to go back into that program again if somebody could give them some justification of it?

Mr. **Brademas.** I'd make two or three points in response to your question, sir.

In the first place, the amount, the number, the volume of scholarships and loans made available by civic clubs, and I laud and praise those efforts, are really a drop in the bucket in terms of the needs of the nation, of a nation today of 230 plus million people. So there's just not very much, there's not very much money there.

Second, we work very hard at my university to encourage private benefactors to donate money for student assistance programs. And I am proud to say that in my five years plus as President of New York University, we have—and Mr. Bartlett, I address myself to you, as well, on this matter, because I know it concerns you. We have doubled the amount of student aid provided by the University from its resources. We do not count solely on the Federal government for our assistance. My university's students are overwhelmingly from low and middle income families. Eighty percent of the students who study at New York University have part time jobs to make their way. Two-thirds of them receive some form of student assistance. These are very very hard working students.

I've worked hard with my colleagues in the colleges and universities of New York State to get help from the State of New York. We've worked hard to get money from private foundations as well as from the Federal, the spectrum of Federal programs written in this committee. So we have tried, sir, to put together an array of forms of student assistance, because it is expensive to study at universities in our country today, public and private. In the private universities, you don't see the subsidy quite—you see the subsidy much more obviously than you do in a public university, but the taxpayers of each state by their taxes help subsidize the public institutions as well.

So what I'm saying, sir, is I'd be glad to see the Kiwanis club, the Rotary club, other clubs get into the game. But my recollection clearly, and I was a junior Rotarian when I was a student at South Bend Central High School, so I would go to those Rotary club luncheons with the Principal of my school every Wednesday, those scholarships were chiefly to recognize outstanding students, the valedictorian of the class. They were not in such numbers or quantity as to make a serious dent on the demand for student assistance.

Mr. **Ballenger.** Well, if I may, somehow to a certain extent you pass it out of hand, well, you take a little town of where I live of only 25,000 people and they have at least 30 scholarships available, maybe $1,000 each, that's $30 thousand each, multiplied by the number of towns in the United States, I'm not saying that it could pick up all the loss, but these programs have really disappeared because of the Federal government's fairly—well almost super liberal granting of money, and the point I was trying to bring about, is there a way, even though it's only adds up to $2 or $300 million a year, is there a way that you could get interest back in and in the civic club area to assist students along these lines.

And as I remember it, I was on the committee several times, we didn't pick valedictorians; we picked what we thought were competent capable students who wanted to go to college and they didn't have to be at the top of the class, but to me it was an involvement of just at home America in the educational system that has disappeared.

Mr. **Brademas**. Well, yes, I think that's fine. I see no reason it should disappear. Let me explain something to you, sir.

Undergraduate tuition at New York University is today around, let's it varies a little but for general purposes, $9,500. That's undergraduate tuition. I haven't talked about room and board. And therefore, for a student to be restricted largely—I don't even say, solely—to a splendid civic club scholarship of $1,000, $2,000, $3,000, $5,000, is not enough. The world has changed. It is not the way it was back at Eureka College, Illinois. It's a different world now. And I regret that that's the case. I do not agree that the facts show, as the Secretary, Mr. Bennett has said several times, that we in American universities raise our tuitions because there's a greater supply of Federal assistance. As I've said in other quarters, an American Enterprise Institute Analysis has shown that that's not the case; there's an inverse correlation there.

The truth of the matter is, sir, we need as broad a diversity and as great a volume of student assistance as we can get; private individuals, civic clubs, state governments and there again, I'm upset because the Reagan budget would eliminate the state student incentive program.

He would even, Mr. Chairman, eliminate the College Work Study Program. Now, I should have thought that that would have been a program that was wholly at home with the ethic of President Reagan. And my memory is—and I stand ready to be corrected—that in the Fiscal 1987 budget, the Administration said, this is a great program. They even wanted more money. Greatest thing since sliced bread.

There seems to be with respect a failure to think in the Department of Education.

Chairman **Hawkins**. Mr. Sawyer?

Mr. **Sawyer**. Thank you, Mr. Chairman.

President Brademas, let me just carry a step further the point that you just touched on. It really grows out of the comment, the anecdotal comment that you shared about returning to that Studebaker line when it was in such deep trouble in 1963, and it occurred to me that the changes that had taken place between that time when you had worked on that line and when you returned to it in 1963 were probably pretty minimal. And that with just a little bit of attention, you probably could have picked up on that line again.

But that if you were to return today to a comparable line anywhere in the world that was at the leading edge of automotive production or any other complex product production, that you'd have a very much more difficult time. You touched on that problem in your comment on this last question. You touched on it on page 20 of your testimony when you talked about employer financed education and training and the importance of continuing that.

But let me ask you about how, as we look further than just this next month and the work that we need to do immediately, how we lay the groundwork for an educational system whose plant cannot accommodate the needs of a work force whose need for education and training is continuing, if not continuous, and a productive plant in this country whose capacity to continuously fund private sector research and development is limited perhaps most acutely by the need to show return on the quarterly bottom line. How do we bring those two institutional strengths together so that they reinforce one another with institutional research and development with private sector continuous training so that the work place itself becomes a test bed for productive activity?

Mr. **Brademas**. It's a very perceptive observation and question, sir. Two or three points.

First of all, the preoccupation with short run returns, coupled with the high risk involved in the expenditure of very large sums of money required for some kinds of basic research argue, I think, persuasively for the kind of substantial cooperation on the part of both Government and industry if we are to be able to provide the kind of long term investment of which you speak.

It is not going to be financially possible for private industry—again, I return to the giant collider that I mentioned earlier—it is not possible for private industry to invest such large sums of money. But yet everybody knows who reflects on this matter that for reasons of our economic future and our national security, it is imperative that we make such substantial investments. Where's the leadership going to come from to make that commitment. It is in large measure going to have to come from the elected political leaders of our country, both the President and the Congress. As well as from farsighted industrial leaders.

Second, we must understand that it is not possible for us to maintain our leadership, and in many cases recover it in areas of the economy closely linked to science and technology, without a sophisticated, thoughtful investment of resources in human beings. If, for example, we're doing a terrible job of science and math teaching at the elementary secondary level and we're not going to be having an adequate supply of young men and women who are qualified to study math and science at the undergraduate level, and therefore you're not going to have enough of them able to pursue the courses in graduate school. And then, sir, if we do not have well equipped laboratories on university campuses, and if you don't have at least tolerable salary structures, those capable people, after they've finished their graduate work, will not remain on the university campus to generate the next crop of scholars and scientists; they'll go off to private industry.

And that in turn is married to the problem to which earlier reference was made by me and members of the Committee about our training in this country so high a number of engineers especially from other countries who go back to those countries, particularly in respect of Japan, where they invest such a modest degree of their gross national product in defense, because we bear much of the defense burden for protecting Japan, thereby reinforcing their competitive strength. And then you add another dimension to this to which I made reference which is that in the last five years, we have substantially shifted our Federal R&D investment from nondefense activities into defense activities and as the Eric Bloch document to which I earlier referred on basic research points out, we have simply not been getting the great spinoffs in terms of civilian applications for our economy from our enormous investment in defense R&D.

I rattle off that paragraph, sir, because in a sense we're talking about a seamless garment and that's why I made bold to suggest to Chairman Hawkins that while I'm here to talk chiefly about higher education, I'm well aware, having sat on this committee in particular, that we have to begin at lower levels.

Mr. **Kildee** [presiding]. Mr. Visclosky.

Mr. **Visclosky**. Mr. Chairman, thank you.

As a Notre Dame graduate, and as a member who represents a portion of the old third district in Indiana, Dr. Brademas, I welcome you today as well.

Mr. **Brademas**. I'm glad to see a fellow Hoosier here, even as I think Mr. Jontz of Indiana is a member of this committee, is he not?

Mr. **Visclosky**. Yes, he is. Absolutely correct.

John, early in your testimony, and in response to Mr. Gaydos' question, you stated that if you would approach the trade bill from two aspects, to do two things, you would really encourage the industry and university cooperation as far as research and development. You also emphasized adult basic education.

What is the role of community colleges, or the university extensions in regions such as the first district in Indiana? And I have to believe that it's representative of many areas of the country. We do not have Notre Dame, we do not have Harvard, we do not have the major educational institution. We have an extension of Indiana University. We have two extensions of Purdue. We have one relatively small liberal arts college in Whiting, Indiana.

How would they fit into any legislative structure in the trade bill?

Mr. **Brademas**. Well, I'll not try to write legislation in a brief response, and let me reiterate how pleased I am to see a fellow Hoosier on this committee.

First of all, community colleges and adult education programs, particularly in an urban industrialized area like the first district of Indiana, can play an important role in one respect that I'll mention, I'm sure several. But that is in providing a chance for two year college level technical education.

And, Mr. Chairman, this takes me back on this committee 26 years because I remember having chaired an advisory group on higher education under the chairmanship of Mr. Powell, and one of the recommendations that our group made, which I still think makes sense, particularly in terms of Mr. Visclosky's question, is to encourage many people who may not want to go onto a four year college experience, or a graduate experience, to get what we call an associate degree, and thereby become medical technicians, or dental technicians, or engineering technicians, and give support from that semi-professional educational background to people who have had professional background, and thereby make their contribution to the nation's strength and to the improvement of their own lives.

Mr. **Visclosky**. Thank you.

Mr. **Kildee**. The Chair would like to remind the members of the panel that we have a time constraint. The next witness, particularly has a severe time restraint, so if you could keep your question to one question and not a follow-up question, if possible, I would appreciate that.

Mr. Penny.

Mr. **Penny**. Mr. Chairman, I'll pass by and thank Mr. Brademas for his excellent testimony and that will allow us to move along.

Mr. **Kildee**. Thank you.

Mr. Richardson.

Mr. **Richardson**. Thank you, Mr. Chairman.

President Brademas, I didn't have the good fortune of serving with you in Congress, but I've admired your leadership on many issues.

My concern is minorities, especially Hispanics, as part of this competitiveness field in terms of a trade bill that encompasses minorities, especially in science and engineering. What do we need to do?

Mr. **Brademas**. As I remarked, Mr. Richardson, I drew attention to the report of the graduate education subcommittee which I chaired at the National Commission on Student Financial Assistance, and one of its primary recommendations which was that we give particular attention in providing fellowships to minorities, and women, especially in the fields of science and engineering. And I could multiply that, I could go beyond that to include, let us say, the health professions, in which we have far too few blacks and Hispanics in American universities today, both let's say, in medical school and in dental school, and in addition, I am deeply troubled by the very small percentage of black and Hispanic members of college and university faculties.

And to get those groups into the mainstream of American academic life, we need, particularly since many of those groups come from low income families to provide more financial support, and that would be my principal recommendation.

Mr. **Richardson**. Would the Chairman allow one more question?

That is, relating to teachers. You know when you go to a high school, or speak to a high school, or elementary school and you ask the young men and women what they want to be when they grow up. There's only a small handful that tell you they want to be teachers, or public servants.

Do you feel it would make good sense to target certain student loan forgiveness provisions to students who go into teaching.

I know there was some legislation that dealt with this issue in the last session of Congress but having reviewed it, it seems very insignificant. Would you support a major effort to give incentives to students that would eventually become teachers?

Mr. **Brademas**. Well, Mr. Richardson, I would be open to that prospect, but I would call to your attention, sir, that, in fact, when I first came on this committee, I can't remember if it was in existence then, I think part of the National Defense Education Act, we had a teacher forgiveness program, so this idea is about a generation old.

And as a good legislator, as I am well aware you are, I would want to go back to the testimony that we held to see how did that program worked because I remember my redoubtable friend, and sometime adversary, Mrs. Green or Oregon, found it easy to control her enthusiasm for that program.

So if it could be demonstrated that there's a good chance that it would work, I would be open to it, or some other incentive.

The truth of the matter is, I much prefer saying you want to be a science teacher, you want to be a mathematics teacher, here is some financial assistance if you need it. Not if you don't need. If you need it, to enable you to pursue your studies and go into that career.

I'd rather do it in a direct way. But I wouldn't reject the other if a careful examination showed this might be effective also.

Mr. **Kildee**. Thank you.

John, we have been the beneficiary of your knowledge, and your wisdom, both when you were a member of Congress, and now as President of New York University, and we're very grateful to you for that. We thank you for your testimony this morning.

Mr. **Brademas**. Mr. Chairman, forgive me for having taken so much time in my responses, but I don't have a chance to come back home that often. Thank you.

Mr. **Kildee**. We're grateful to you, John. Thank you very much.

Our next witness will be Mr. David Hornbeck, President of the Council of Chief State School Officers.

Mr. Hornbeck. I know you're under a time constraint. You may summarize, if you wish, and your entire testimony will be included in the record.

STATEMENT OF DAVID W. HORNBECK, PRESIDENT, CCSSO, SUPERINTENDENT OF SCHOOLS, STATE OF MARYLAND

Mr. **Hornbeck**. Thank you, Mr. Chairman. I appreciate that.

I'm due in Annapolis to join the Lieutenant Governor to plead before the Ways and Means Committee for a substantial increase in funds for Maryland's school systems.

I'm here today, however, as President as the Council of Chief State School Officers regarding education's role in dealing with our nation's competitiveness. We are an organization made up of the commissioners and superintendents of education from the 50 states and the extra territorial jurisdictions, as well as the District of Columbia.

The report on the Carnegie forum on education and the economy argued persuasively that the American work force cannot and will not work cheaply enough to compete in the marketplace of the world. The fact is that we're going to have to work smarter in order to maintain, much less enhance, our standard of living.

Also, for the first time in the history of humankind, it's going to be necessary for us to permit all of our young people to have the capacity to work smarter, not just those who are the gifted or the elite.

You've heard the litany of numbers, that 22 percent of our children live in poverty, that 40 teenage girls every day give birth to their third child, and so on.

The fact is that the demography is such today that we can't afford to lose those youngsters.

I ask you to add to those challenges of young people conditions two additional facts, putting the economical imperative in prospective. Thirty-five years ago there were 17 people working for each retiree. By 1992 there will be only three. One of those three will be a minority person. Those who are minorities are disproportionately represented among the poor and disproportionately represented among those that school systems have served least well historically.

Sometimes we say to those young people we have given you the opportunity and if you don't seize it, it's your fault. That may or may not be so.

The fact is that our rightness or our righteousness in making that statement may well soon topple us unless we are prepared to reach out to those kids and make a difference.

We know we can make a difference. We know that the American public educational system has been the most successful such educational system in the history of the world since its founding more than 100 years ago. We've seen its progress on a host of fronts. We know that if youngsters move past high school and into college, that all kinds of important things take place in their lives.

But we've got to deal with both the issue of the at risk child, the issue of the dropout. We've also got to deal with the issue of quality.

Chief State School Officers in the schools are not the ones to solve this problem alone any more than this committee or Congress or business could do so.

But the fact is that competitiveness in whatever form, however you define it, cannot be achieved unless schools are at the center of solution strategies.

Schools must join all levels of government and business, and other private agencies in making this kind of commitment.

Frankly, I'd like to believe that with respect to the at risk youngster, that human decency and concern would serve as sufficient motivation to mobilize the imagination, and the will, and the resources, to serve our youth, but I fear that economic competitiveness is going to be the issue that's going to drive us, but happily, it is of the character that it is eliciting attention to the kinds of economic imperatives translated into educational priorities that are necessary.

I would ask that you focus principally on a single recommendation of the Council of Chief State School Officers, and that is that as you develop your competitiveness package, that you look to the foundation of the programs and investments that we've already made in educational access. We support the comprehensive approach that you are taking to reauthorization of the major elementary and secondary programs. We hope you would take an equally comprehensive approach to the educational components of omnibus trade legislation with careful attention to how they relate to existing programs.

We recommend that such comprehensive approaches be fashioned in a way that clearly identifies the national goals and priorities in education and training, allowing states and local education agencies adequate flexibility to address these priorities as they are reflected at the state and local level, and provide a means of evaluating and demonstrating the effectiveness of programs, particularly the potential gains of greater investment in the programs.

We focused, not surprisingly, principally on education. As we look at the national priorities and the components of competitiveness, we've identified Chapter 1 as the foundation of the federal investment in the educational needs of at risk children and youth.

We believe first that the full funding of service to all eligible children with the scope and intensity necessary to raise their skills to the level of their more advantaged peers would be the best first step toward national competitiveness.

We have also supplied to you in the full statement a series of recommendations that we believe would bring the power, the demonstrated measurable power of Chapter 1 to bear even more forcefully as we seek to include all youngsters across this nation in the benefits of education and entry into the work force, and as contributors to the competitiveness context that we all see.

Although we've not had ample opportunity to examine the Chairman's recently introduced Chapter 1 proposal, it is evident that the concern is shared with building on the potential of Chapter 1 to serve children at the preschool level, and the middle grades, and high school, whose needs are currently unmet.

We've looked not just at Chapter 1, however. We've not looked just at the issues of access. We've sought also to address issues of quality. Issues of quality are reflected in Chapter 1, but issues of quality are also captured in the intent of Chapter 2.

Chapter 2 should be an important part of the foundation of the significant federal investment in the quality of education. It serves as a flexible source of funds, which states, local education agencies, and schools, can use to respond to changing needs, and new demands in education.

If as a nation we are going to be competitive we need a federal investment in the quality of education, as well as access, to programs like Chapter 2, and the Education for Economic Security Act.

I know that Congress questions whether the current structure of Chapter 2 permits us to know it's meeting national priorities. Recognizing that, we've defined four national priorities which seem to be the cornerstones of competitive schools.

States and local school systems could choose to spend their funds on (1) at risk students and special populations; (2) effective school models and reform efforts; (3) instructional program improvement of the curricula and/or (4) training or retraining educational personnel, including teachers, administrators, and counselors.

Within each of those kinds of categories, a wide range of subcategories could be chosen, ranging from dropouts, to gifted and talented students in the first category, to a whole range of subjects under instructional program improvement or teacher training.

The key difference in our proposal from current law is the inclusion of an accountability mechanism. In their plans, states with their 20 percent, and locals with their 80 percent, would provide a rationale or justification for their decisions on where to target funds based on need, and from that would flow accountability.

The Council believes that these recommendations would insure that the flexibility of Chapter 2 to supplement and augment other programs, is maintained, using the funds to fill critical gaps, and at the same time providing the benchmarks through which all of us can measure progress.

With regard to the competitiveness legislation, the Council approves of the approach taken by Senator Pell and others in S-406, which provides critical injections of new funds to existing programs like the education for Economic Security Act.

We're also interested in the role of research, and the data base, and assessing the competitiveness of our education system. Indicators that are useful engaging the nation's economic and social strength, such as data from the Bureau of the Census and Labor Statistics, are lacking in the education arena.

The Council has taken the lead in assessing the quality and the supply of math and science teachers, developing indicators of student achievement and designing a model definition of dropouts with crosswalks for comparison state-by-state.

The data base needs are more complex than a simple wall chart. We'd like to work with you on legislation to insure a strong and independent responsible means of compiling the data and indicators needed to evaluate public education on a long-term basis.

Our focus is your focus. Last year's theme was Education and the Economy. Our report, I've submitted to you for inclusion in the record. This year's theme is The At Risk Child, because we think those youngsters are the single most important challenge that face us.

James Agee said that with the birth of each child the potential of the human race is reborn. You and I, it seems to me, have the opportunity and the responsibility to help translate that potential into reality, not just for some kids, but for all kids.

Thank you very much, sir.

[The prepared statement of David Hornbeck follows:]

PREPARED STATEMENT OF COUNCIL OF CHIEF STATE SCHOOL OFFICERS PRESENTED BY DAVID W. HORNBECK, PRESIDENT, CCSSO, AND SUPERINTENDENT OF SCHOOLS, STATE OF MARYLAND

Mr. Chairman, I am David Hornbeck, Superintendent of Schools for the State of Maryland. I am honored to have this opportunity to testify on behalf of the Council of Chief State School Officers regarding education's role in enhancing our Nation's competitiveness.

The Council is a professional organization composed of the commissioners and superintendents of education from each of the fifty states, six extra-territorial jurisdictions, and the District of Columbia. Members of the Council are the principal administrators of the public school systems in each state. As such, we are responsible, as are our colleagues at the local level, for implementing federal and state education policies and programs for the Nation's school children.

I would like to commend you, Mr. Chairman, and the Committee for examining the role of education and training in enhancing our competitiveness in international markets. "Competitiveness" seems to be this year's response to our current economic crisis — the trade deficit. However, the underlying issues have been with us since the days when we were talking about productivity to combat economic stagflation or a recession. And it will be with us, in one form or another, into the last decade of the century, or longer, depending on how we address it.

The report of the Carnegie Forum on Education and the Economy argued persuasively that the American workforce cannot and will not work cheaply enough to compete in the world marketplace. If we wish to maintain or improve our current standard of living, we must work smarter. Moreover, it is clear that we will not succeed if only a small group of gifted elite work smarter.

The ability, the skill, the capacity to work smarter must - for the first time in human history - be characteristic of the mass of our population. That includes the 22% of our children living in poverty. It includes the 40 teenage girls a day who give birth to their third child. It includes the 60% of all children born in 1983 who will live in a single parent home before age 18, of whom most will be in a female-headed household with incomes under $10,000. It includes the over 61% of high school seniors who have used drugs. And it certainly includes the majority of students in some urban areas who drop out before their senior year of high school.

Add to these challenges two additional facts to put the economic imperative into perspective. Thirty-five years ago, there were 17 people working for each retiree. By 1992, there will be only three. Clearly all three must be productive. Yet one of those three will be a minority. Those who are minorities are disproportionally represented among the poor. Moreover, they are disproportionally repesented among those with whom schools have been and continue to be least successful.

We cannot forget, however, that our tradition of free public education has been at the heart of our Nation's success. Over a hundred years ago, we were the first Nation to make a commitment to free mass education. In the past thirty years, we have reaped the gains of a commitment to access and equity in education. The high school graduation rate has increased from less than 50% in the 50's to over 75% today. Over 50% of high school graduates pursue postsecondary education. Governmental support for racially segregated schools has been dismantled, and formal barriers to educational equality for women removed. It is the Nation's policy to provide full educational services to disabled children, as well as to recognize the extra educational needs of limited English proficient children. This Committee can be proud of its contributions to these successes.

Will a new national commitment to education truly make a significant difference in the workforce that must become more competitive? We have strong evidence that it will. First, education has always correlated to the work ethic. 63% of college graduates show a strong work ethic, compared to 47% of workers with high school or less. Education also makes a difference in the health and longevity of the individual. Every year of schooling completed means an average 2.73 years increase in life expectancy for women and a 2.48 years increase for men. And the difference in lifetime earnings between a high school dropout and the average American who completes college and participates in some form of adult education is $631,000.

Nonetheless, we have reaped almost all of the economic benefit we can expect from the dramatic increase in the number of years of schooling completed by Americans. Making substantial economic gains in the future — meeting the challenge to work smarter than our competitors abroad — will depend on enhancing the quality of education. We must act thoughtfully, decisively, and quickly, for the economic imperative is here; the human and social tragedy of families and communities living in generational and perpetual poverty is with us. We have, in my judgement, less than a decade to alter our course sufficiently to avoid serious negative consequences to our life together.

I do not suggest that chief state school officers or schools alone can meet these challenges, no more than I would suggest that this Committee, or Congress, or business could do so. But competitiveness cannot be achieved unless schools are at the center of solution strategies. Schools must join all levels of government, business, and other private agencies in resolute commitments to the young people whom our society has too often ignored. We hear much comparison of our Nation's school system with that of Japan. A primary reason for the difference might be summed up as commitment. The Japanese regard their children as a national treasure; both the commitment of government and that of parents in Japan reflect that perspective.

We would all like to believe that human decency and concern would serve as sufficient motivation to mobilize the imagination, the will, and the resources necessary to invest in our national treasure — our children. But wherever those qualities are absent, there are the economic imperatives as well. There is also the reality of fiscal imperatives shaping how we make our investment.

If there were times of plentiful resources, perhaps you in the Congress and we in the states might feel we have the latitude to design programs in isolation — a program for this, and a program to do that. But these are clearly not such times. These are times when each public dollar must accomplish more dollars worth of change. And we know that dollars alone do not reach the goals we seek. The difference is made by dollars together with how the programs are crafted, how they are linked, and especially, the incentives they create for change and reform in the people and institutions that run the programs.

The first recommendation I would like to make today — and perhaps the most important — is that as this Committee develops its competitiveness package, you look to the foundation of programs and investments we have already made in educational access, as well as quality. The Council supports the comprehensive approach you are taking to reauthorization of the major elementary and secondary programs. We hope you would take an equally comprehensive approach to the educational components of omnibus trade legislation with careful attention to how they relate to existing programs. I would like to read for the record CCSSO's positions on competitiveness:

"The Council urges the 100th Congress to address national policy issues such as economic development and the needs of at risk populations in a thorough, comprehensive approach that defines the appropriate federal role, identifies the gaps and overlaps in existing programs, and structures new and expanded efforts to address the issues in a coordinated, effective fashion.

The Council recommends that such comprehensive approaches be fashioned in a way that clearly identifies the national goals and priorities in education and training, allows states and local education agencies adequate flexibility to address these priorities as they are reflected at the state and local level, and provides a means of evaluating and demonstrating the effectiveness of programs, particularly the potential gains of greater investment in the programs."

You are acting on our third recommendation — that chief state school officers be included in the dialogue and the development of responses to national policy issues such as these. I thank you and hope that this dialogue with us will continue throughout the legislative process.

The chief state school officers address that part of the federal structure which affects education. As we looked at the national priorities and the components of competitiveness, we identified Chapter I as the foundation of the federal investment in the educational needs of at risk children and youth. We believe that full funding of service to all eligible children, with the scope and intensity necessary to raise their skills to the level of their more advantaged peers, would be the best first step toward national competitiveness.

In addition, the Council's recommendations for Chapter 1 would build on the existing structure of the program, emphasizing its strengths, and using its full potential to merge what we know about quality education with access and equity for poor children. These recommendations include:

— The need to clarify definitions, such as "educationally deprived students", as well as to fund additional grants for schools with the highest concentrations of poverty, so that those children in greatest jeopardy can be better targeted.

— Expansion of opportunities for local education agencies to apply for school-wide projects, so that the poorest children can enjoy the benefits of effective school practices.

— Enhancement of outreach and involvement for parents of all children eligible for Chapter 1, including use of Even Start and Follow Through type models in school-wide projects and schools receiving concentration grants.

— Adequate resources for state education agencies to administer the program as it was intended, with evaluation and dissemination of model programs, as well as a new authorization for states to provide local education agencies with technical assistance, training, bonuses for exemplary performance, and the results of research on best serving the target population.

-- Finally, full funding of state incentive grants to encourage states to share in the responsibiilty for compensatory education.

Although we have not had ample opportunity to examine your recently introduced Chapter I proposal, it is evident, Mr. Chairman, that you share our concern with building on the potential of Chapter 1 to serve children at the preschool level, in the middle grades and high school whose needs are currently unmet. We also appreciate your and Mr. Goodling's commitment to the value of programs like Even Start to break the intergenerational cycle of illiteracy through work wtih children and their parents. We wish to continue to work with you on legislation for an equitable state and local partnership to promote effective schools.

The Council also examined Chapter 2 and determined that it should be the foundation of a significant federal investment in the quality of education. It serves as a flexible source of funds which states, local education agencies, and schools can use to respond to changing needs and new demands in education. If, as a Nation, we are going to be competitive, we need a federal investment in the quality of education, as well as access, through programs such as Chapter 2 and the Education for Economic Security Act.

Knowing that Congress questions whether the current structure of Chapter 2 permits us to know it is meeting national priorities, we defined four national priorities which seemed to be the cornerstones of competitive schools. States and local school systems could choose to spend their funds on 1) at risk students and special populations, 2) effective school models and reform efforts, 3) instructional program improvement of the curricula, and/or 4) training or retraining educational personnel, including teachers, administrators, counselors. Within each category, a wide range of subcategories could be chosen, ranging from dropouts to gifted and talented students under the first category, to just about any subject area for instructional program improvement or teacher training.

The key difference in our proposal from current law is the inclusion of an accountability mechanism. In their plans, states with their 20%, and locals with their 80%, would provide a rationale or justification for their decisions on where to target funds, based on their needs. Provisions for establishing overall goals and evaluating the results are also included. To insure the state share is targeted to the needs of schools and children, we have clearly defined the difference between administrative costs and other activities, such as technical assistance and training.

The Council believes that these recommendations would insure that the flexibility of Chapter 2 to supplement and augment other programs is maintained. The funds could be used to fill critical gaps. At the same time, states, local educators, and Congress would have some benchmarks through which to measure progress. We believe state and local education agencies are quite prepared to be held accountable for outcomes with all federal dollars, including Chapter 1 and 2.

With regard to the competitiveness legislation, the Council approves of the approach taken by Senator Pell and others in S. 406, which provides critical injections of new funds to existing programs like the Education for Economic Security Act. We have supported full funding of the existing math-science-foreign language program and continuation of programs such as the Leadership in Educational Administration Development (LEAD) that address the key elements of educational reform.

We are also interested in the role of research and the database in assessing the competitiveness of our education system. Indicators that are useful in gauging the Nation's economic and social strength, such as data from the Bureaus of the Census and Labor Statistics, are lacking in the education arena. CCSSO has taken the lead in assessing the quality and supply of mathematics and science teachers, developing indicators of student achievement, and designing a model definition of dropout with crosswalks for comparison state by state. The database needs are more complex than a simple "wall chart" comparing student scores by state. We would like to work with you on legislation to insure a strong, independent, responsible means of compiling the data and indicators needed to evaluate public education on a long term basis.

I am proud to have been selected as this year's president of the Council of Chief State Officers. Our theme and subject for study last year was Education and the Economy, and I submit CCSSO's position paper and recommendations for your Committee's consideration of the issue of competitiveness. Our focus this year is on meeting the needs of at risk children and youth, and I am excited about our efforts to devise a standard definition and model legislation in this area for the states. Again, I appreciate the opportunity to testify today and look forward to assisting the Committee in any way I can in the future.

Mr. **Kildee**. Thank you for your testimony.

A question. In your testimony you refer to gaps and overlaps in existing programs. Can you provide us some examples so we can address ourselves to those gaps and overlaps?

Mr. **Hornbeck**. Some of the kinds of gaps that I referred to related to Chapter 2, have to do with staff development activities, have to do with the focus of programs on at risk kids, some of the kinds of experimental programs that are necessary.

For example, a significant gap is in the area of international education, something that Dr. Brademas referred to. There is not that kind of attention at the moment. And for the kinds of reasons he gave you, we need that kind of attention. But those are some of the kinds of illustrations of gaps that do exist.

Mr. **Kildee**. We'll try to move along in light of your schedule.

Mr. Jeffords?

Mr. **Jeffords**. Thank you.

Let me inquire, follow-up a little bit on some of these areas.

First of all, as I try to structure in my mind what we need to do, one course is to build the kinds of skills that are necessary to regain and to improve, and to overtake others in the sense of competitiveness and designing good services.

And, secondly, we've got to be able to sell them, which gets to the area of learning foreign languages and being able to compete on the international scene.

Much of it will have to do with attitudinal changes in our school systems throughout the country as to what is necessary, and what is appropriate for our young people in order to give them a good standard of living, as well as sustain and improve our own.

I am interested as we go forward and dream up ideas on how to change these, is the ability of the state and local governments to be able to fund these changes, or whether there's money needed to fund these changes.

There are some areas that I'm interested in. Maybe you can enlighten me a little bit. I know from my responsibilities here in looking at vocational education, one of the serious problems we have is the inability to be able to keep up with modern types of programs that will train our young people for jobs that are available now rather than the ones that used to be.

Certainly we need to know what can we do to entice more teachers into science and math. What can we do to get more teachers that are knowledgeable in the kind of foreign languages that are necessary in order to provide for the sales force we need to compete.

Can you tell me whether or not your own judgment there is a need for more federal involvement in the programs that I discussed, as well as Chapter 1? (I note that the Administration itself urges an increase in Chapter 1.) What kind of funding resources are available at the state and local levels to handle these needs? Is it appropriate and necessary for the federal government (keeping in mind its own fiscal problems) to come forth with more resources?

Mr. **Hornbeck**. It is my judgment, and the reason I focus on Chapter 1, is that its contribution is in my view the single most important program, but the ones that you mention, and the initiatives that are implied, are important ones as well.

Recognizing in the first place that states and local government have and will continue to play the dominant role in funding. That's always been the case. That's the reason I've got to go back to Annapolis this afternoon.

We will continue to carry our share. But at the same time, the kind of leadership that the federal government can provide in lending its hand, and providing funds, has been extremely important. Voc Ed is a good example. It provides only $1 out of every $10 and yet it provides leadership dollars. It provides direction, and sometimes provides the necessary kick in the seat of the pants, particularly as it focuses on developing skills on today's jobs and not yesterday's.

Focusing also, I might say, as we wrestle with issues of vocational education, on what you might characterize as employability skills, as well as the pure occupational skill itself. And that's a kind of leadership spot that the federal government could, in fact, contribute to.

I think the issue that you raise, and was raised with Dr. Brademas in terms of teachers, is also one the federal government could play a very important role in. The fact is that NDEA did work, in my judgment. If one goes about the 37,000 teachers in the State of Maryland today, one finds teacher after teacher after teacher who found his or her way to the classroom through the NDEA program.

There is a modest federal initiative on that fund. We are seeing in the State of Maryland a response to that kind of a loan forgiveness program. We've put some of our own money into it, and we find even in the context of putting some of our own money in, that we have a waiting list of qualified people wanting to receive that loan.

And the issue of the quantity and quality of teachers is absolutely central. We are going to face in Maryland in the next three years a 2,100 teacher shortfall out of 37,000 teachers. They can see that they're going to fall into the areas of special ed, math, the vocational education trades and industries, and in the physical sciences.

We've got to explore all kinds of strategies to see that that doesn't happen, and we are, and the federal government, particularly in those areas of critical shortage, could play a very significant role in helping us.

It is, in a sense, Mr. Richardson, an idea that's a generation old, but it was a good idea, and it's an idea that ought to be recycled, and as a consequence, provide additional assistance to states.

Let me also say on that point that a subpart of the quantity and quality of teachers issue is a very serious problem that we are in the throws of facing with respect to minority teachers.

We are en route at the moment to a situation in which it is likely by 1995 that only 5 percent of our teaching force will be minority, where our student population will be 40 percent minority, and that's an intolerable situation in my judgment, and is a piece of the at risk child issue to which I was speaking earlier.

Mr. JEFFORDS. I thought I'd ask as to whether or not you could create these changes without any additional federal financial help. I don't think you answered that.

Mr. HORNBECK. I think the answer is no.

Mr. JEFFORDS. And can you quantify in any degree, or do you have any information you can provide to me as to how we could improve the budgets this year in order to meet the needs as you see them?

Mr. HORNBECK. I think in—again, my focus is principally and first on Chapter 1, I don't think we've ever funded more than about 40 percent of the eligible children in Chapter 1. That is economically insane and increasingly so.

Mr. JEFFORDS. The Administration recommends about $200 million increase in funding, I think. Is that adequate, or is that just a partial——

Mr. HORNBECK. It is quite partial. It's $200 million in the context of about $4 billion, as I remember, and if we are really—see, the interesting thing about that program, and the situation we find ourselves in the United States today in the issue of competitiveness, is that we're no longer talking about state superintendents, and state departments of education, and school systems, and educators, and bureaucracies, and self-interests, in that sense.

Because of the sheer birth rate, and who is in the population, and who is going to have to be in the work force, and the challenge that's in front of us, we're talking about the life blood of our economy and this competitiveness of which we speak.

And it's for that reason that I would suggest that the most important role in the world of education for the federal government is in the area of access and equity, and Chapter 1 is the pre-eminent program on that thing, and that is the arena in which we ought to be making the kind of commitment, in fact, as a matter of policy, that we made to handicapped kids back in the late 1970's where we guaranteed kids appropriate services. In our own self-interest we ought to be doing that.

Historically, when the chicken has come home to roost, it has roosted on the victim's doorstep, and we have had the luxury of saying too bad.

We are now at the point where the chicken is coming home to roost not on the victim's doorstep, but on yours and mine, unless we deal with the issue in the context of initiatives like Chapter 1 and providing the quality and quantity of teachers, including minority teachers.

Mr. JEFFORDS. Thank you.

Mr. KILDEE. Mr. Sawyer.

Mr. Visclosky.

Mr. VISCLOSKY. Thank you, Mr. Chairman.

Mr. Hornbeck, I appreciate your courtesy in testifying today.

The major city in my congressional district is Gary, Indiana. Ninety-eight percent of the school population in Gary is non-white. Unwed pregnancies in the city are well over 70 percent, and I have to believe many of those are to teenage women. The dropout rate is off the wall.

Title I was first initiated in 1965 and on page 2 of your testimony you talk about 60 percent of the children born in 1983 live with a single parent before the age of 18.

Some of those 18 year olds thus have been part of a system that has been helped by Title I. I don't wish to have you misconstrue my comment. I support the program, but somehow it also hasn't quite worked, realizing it's an element of many different factors that are involved.

The Chairman had asked about gaps. Are there some portions of this program that simply have not worked and are still around, or are there things we could do?

Mr. **Hornbeck**. Yes, sir. The biggest gap is in the number of kids served and the number of kids eligible. There are more kids eligible who have not been served than who are eligible and have been served. So that's a big gap to begin with.

The level of service, even for the 40 or 50 percent that have been served, is something of an arbitrary feature arising out of budget figures. Not surprisingly, I don't know about Gary, I'll have to illustrate from Maryland.

In the State of Maryland between the highest spending school system and the lowest spending, there's a $2,000 per pupil spending gap. I would suggest if you do examine the school systems in most of the states in the United States, one would discover the gap is greater, that we do a fairly decent job on that, but relatively speaking.

But think of $2,000, and think of a classroom of 30 kids, and don't think then of $2,000, but think of $60,000 less behind each classroom of kids in the poor system in contrast to kids in the wealthy system.

Not surprisingly again, you find that more poor kids live in poor school systems than live in rich school systems. So not exactly a genius observation, but a fact that is not reflected in too many of our funding formulas.

And so too often it's been too little too late. Just this week on the front pages of Education Week, one discovers the latest United States Department of Education evaluation of Chapter 1, and discovers that with kids whom it reaches, in academic success it achieves results.

The problem is the shortfall, not so much the product with the kids that it's reached.

Mr. **Visclosky**. Thank you.

Mr. **Kildee**. Mr. Penny.

Mr. **Penny**. We have a trade bill that includes a couple titles under our jurisdiction. In one title we are proposing to use money primarily for vocational education, some illiteracy programs, and some money for science technology grants.

The next title would provide grants on a competitive basis to particular industries who can demonstrate they've been injured by foreign trade.

I'm curious about the relative merit of awarding competitive grants to some industries when certainly hundreds of businesses across America can demonstrate that they have been harmed by imports in one way or another.

And curious to know whether your view is that a competitive grant program for that purpose to help those industries retool, or retrain, makes sense, or whether we might better take the money we would spend in those competitive grants to certain industries, and pump it instead into the first title where it is spent more generally on vocational education, illiteracy, science, and math, and technology.

So that any industry anywhere in America can go to our vocational system, to our public school system, and get the assistance they need to retrain and regear, and become competitive again.

Mr. **Hornbeck**. It would be my position that the grants are better placed both with elementary, secondary, and higher education, dealing with the fundamental infrastructure of American education producing the quality of work force that's generally required that fits with our most important recommendation to you with respect to trade legislation, as well as your reauthorization activities, and that is that you focus on strengthening programs and initiatives that have worked in a comprehensive way in contrast to picking off pieces here and there, and spinning them off in new single shot kinds of ways.

Mr. **Penny**. Mr. Chairman, I have no further questions.

Mr. **Kildee**. Mr. Richardson.

Mr. **Richardson**. Thank you, Mr. Chairman.

Mr. Hornbeck, let me commend you for an outstanding presentation, especially your sensitivity to a deep concern of mine, and that's minorities. I really want to commend you.

I also want to commend you for directing your attention to improving some educational programs by identifying gaps, overlaps, and talking about coordination. It seems—when I asked Dr. Brademas how do you help Hispanics in science and engineering, he suggested we give them more fellowships.

Well, that's fine, that's obvious, but I think we must develop some more creative ways to deal with these issues.

For instance, bilingual education programs. I'm a strong supporter of them, but I know that there are ways we can make them more responsive, that we can make them more efficient.

You talked about local school districts having more of a role in defining who an educational minority is. Let me ask you a question on bilingual education.

I know Maryland has a substantial bilingual population. What can be done to improve bilingual education without tearing it apart the way some of these English only movements, and other very unfortunate groups are trying to do.

Mr. **Hornbeck**. We have 110 different language groups in Maryland, so we do have a broad base. And I think that one factor that one looks at in the issue of at riskness, is the issue of language. And what I'm suggesting in the context of guarantees to kids, is an examination of each individual child's predicament, whether it be language, or another condition that gives rise to at riskness, and then insisting in the way we do in other areas that that issue be met.

We do that with disabled kids. And I think that that's reflective of the very best of which America can produce. We don't do that with at risk kids, including youngsters whose first language is not English.

We say if we have money, we say if we can find teachers, we say if, if, if, and if, but we don't say "you must teach that child in the best means possible to produce the skills to be able to enter the work force, to deal with being a nurturing family member, to be a good citizen."

Now, there more than one way to respond to that. And I don't think that we ought to box ourselves in to any one way. It's the result I'm looking for. It's the productive high school graduate, it is the youngster with the skills to go on either to college or into the job, and the programs that are necessary to get us there are the ones that I think we ought to be guaranteeing as an entitlement matter.

Mr. RICHARDSON. There have been discussions on rewarding school districts for improved academic performance, perhaps through some form of incentives, using grants, or the tax system, to reward districts that show a marked improvement in test scores, and competency.

How do you feel about that, and how should that kind of program be structured?

Mr. HORNBECK. Well, I think one example one can look at is the Wisconsin Children At Risk Statute, in which the kids at risk are identified, and goals set, and if the goals are achieved, the school district is rewarded.

That suggests a couple of things. One is that I would look principally at the at risk child for those kinds of initiatives. Sometimes when we talk about school system improvement, we talk about averages, and you can improve averages in one of two ways. You can either have the top half of the class driven up more swiftly than the bottom half, or you can have improvement across-the-board, and it needs to be structured in a way in which it encourages dealing with the kids that are having the most difficulty, not simply rewarding doing a super job with those who are gifted.

Mr. RICHARDSON. Mr. Chairman, I would like to in closing just hope that you, Chairman Kildee, will assist some of us interested in bilingual education, the way you have worked on Indian education, and work together to develop a positive program. I think the current bilingual program is positive, but it needs improvement rather than, as some have urged, termination.

You have been at the forefront of this issue and we want you on board all the way.

Mr. KILDEE. Be glad to work with you on that, Mr. Richardson. I look forward to it.

Mr. RICHARDSON. I have no further questions.

Mr. KILDEE. Mr. Hornbeck, we appreciate your testimony here today, and we hope you can make up those five minutes on the road to Annapolis now.

Mr. HORNBECK. Thank you very much for all your courtesy.

Mr. KILDEE. Thank you, Mr. Hornbeck.

Mr. Lex D. Walters, President of Piedmont Tech College, Greenwood, South Carolina.

Dr. Walters, we appreciate your patience here this morning. We're working through what is ordinarily lunchtime. In the early days of the Republic, for some reason, they decided to have Congress start session at noontime too, so our lunches are usually overlapping a bit.

You may proceed in any way you wish, Dr. Walters. You may summarize, and you—if you do that, your entire testimony will be included in the record.

STATEMENT OF LEX D. WALTERS, PRESIDENT, PIEDMONT TECHNICAL COLLEGE, SOUTH CAROLINA

Dr. **WALTERS**. Thank you, Mr. Chairman, members of the committee.

I plan to abbreviate my testimony, and I would request that the full text of the testimony be made a part of the record.

I am Lex Walters, President of Piedmont Technical College in Greenwood, South Carolina, and it's really a pleasure for me to appear before you today on behalf of the Joint Commission on Federal Relations of the American Association of Community and Junior Colleges, and the Association of Community College Trustees.

I served not only as a member of the Joint Commission, but also on the Board of the American Association Community and Junior Colleges, and I'm Chair Elect of the President's Academy of the American Association of Community and Junior Colleges.

In coming before you today, you asked that I discuss the role of education in helping America improve its economic competitiveness. You asked specifically for me to address the role of the community, technical, and junior colleges in enhancing competitiveness, how our colleges can be utilized in job training, upgrading, and retraining, how they can participate in adult literacy programs, and how our colleges bridge between education, business, and industry.

In looking at this, I'd like to start with a brief historic context. In looking at the context of my testimony, you would note that I referred to a number of different items, including the Marshall Plan, the work of the Harriman Committee, the Employment Act of 1946, the Hoover Commission.

I did this to show that in a very critical time in our recent history, immediately following World War II, the Congress and I think our entire nation came together to set some national priorities to respond very specifically to the need of our people.

The Marshall Plan is a constructive example of how the United States can regain economic strength, and a competitive edge for two reasons.

First, it was the result of building a coalition which was in the spirit of cooperation, compromise, and consensus in America.

Second, it worked because as under the reconstruction plan for Japan, it was essentially a balanced economic policy that would focus on both investment and consumption, and it was based on self-initiative and cooperation.

By the end of the Johnson-Nixon years, the spirit of cooperation, compromise, and consensus that I've mentioned, that made the Marshall Plan, the Employment Act, and the Hoover Commission successful, it was greatly diminished in America. And our post-World War II economic strength was certainly ebbing.

Now in the 1980's the Congress and the country seem at last to be buckling down to the struggle of reversing this trend. This hearing to me is welcome evidence of that fact. Competitiveness is a primary issue in the mind of every member of Congress with whom I speak.

I believe, and I think the community colleges in this country believe, that we can win the struggle if we'd establish a national community, employers, government, education, labor, the private sector, the same spirit of cooperation and teamwork that typified the Marshall Plan, and the key directions established during the Truman years.

That spirit has endured at least in part in our country's commitment to universal access and post-secondary education, community technical colleges, and Pell Grants, have truly become synonymous.

The community college movement credits President Truman with providing the impetus that has made two year colleges successful to residents of nearly every congressional district during the last generation.

The universal access to higher education and vision by the Truman Commission on Higher Education was at that time certainly a radical goal. And I'd like to quote briefly from that document.

"Equal educational opportunity for all persons to the maximum of their individual abilities, and without regard to economic status, race, creed, color, sex, national origin, or ancestry, is a major goal of American democracy. Only an informed, thoughtful, tolerant people can maintain and develop a free society.

"Equal opportunity for education does not mean equal or identical education for all individuals. It means rather that education at all levels should be available equally to every qualified person."

Through community college we have emerged in the last decade as the largest distinct branch of higher education serving nearly 5 million learners in formal credit and degree programs, and nearly an equal number in non-credit courses. We feel our potential is markedly under-utilized in meeting the global challenges before us.

Our success and popularity alone suggests that we are ready to shoulder a larger task if there is a cohesive national strategy to help us do so.

I'd like to take just a moment or two and talk with you about some of the initiatives that have taken place in my home state of South Carolina.

This past year, for example, the state legislature passed new legislation entitled The Employment Revitalization Act. This act opened up new avenues of cooperation between both secondary and post-secondary education, and certainly new avenues between post-secondary education and business and industry.

Also through state supported programs our colleges in South Carolina can say to business and industry which create new jobs in our state, yes, we will train people for these new jobs so that on the day that you have those jobs ready for employees, we will have people trained and ready to go to work for you.

Our South Carolina colleges have also put forth a major effort in addressing the critical adult literacy needs of our state. As an example on my campus, we have the coordinating counsel for the area literacy associations housed there.

We have worked cooperatively with the South Carolina State Department of Adult Education, and our own developmental studies programs, so that we can say to our residents, if you can come to my campus we will prepare you through our literacy adult education and technical programs for the kind of jobs that are available in our area of the state.

To expand further on the role of the technical colleges in South Carolina, the role they're playing in job development and training much is being done to support small business. I've heard small business referred to by each of our speakers today.

For example, on my campus we have a small business center that works specifically with the small businesses to assist them in getting off the ground and to counsel with them as they begin their business enterprise.

I really touched on only a few of the thrusts that are taking place in my state. There are many other exemplary programs and two year colleges across this country that are making significant strides in meeting educational needs so that our citizens can compete more effectively in a rapidly changing job structure.

In most cases, the programs of the type I have just described are new thrusts that the two year colleges that have been initiated to respond directly to existing needs in their local communities.

My desire to join you today is to assure the Congress that our colleges stand ready to shoulder whatever task you find appropriate to our role in this struggle.

I read recently that the Community of Technical and Junior Colleges are America's best kept secret. Today we, the two year colleges of this country, want to lift this cloak of secrecy. Our colleges are poised to charge forward to respond to the needs which can be met through post-secondary education and training.

We certainly do not make this offer lightly. We think it appropriate for two reasons.

First, our economy has been slipping in global competition largely because our skill base no longer exceeds that of our more advanced competitors.. We simply are not keeping pace with them in technical education.

Recently, the Southern Regional Education Board released a publication entitled Halfway Home And A Long Way To Go.

I believe this title is descriptive of the road our two year colleges must travel. The road, however, is continuing to be lengthened by factors of global competition and technological change, and it is also being lengthened by loss of funding and lack of funding at both the local and the national level.

Secondly, our industry—outside the industry itself, community, technical, and junior colleges have become the largest source of well-trained technicians and high technology training.

To give you one example on my campus, working with industry we have established a high technology resource center that has attracted new jobs, and a new industrial base to my area of South Carolina.

To underscore a point I've already made, if the employment community and the educational community are going to meet the global challenge, there must be a national strategy to help us do it. Resources can be more effectively targeted towards the priorities dictated by this struggle. And we look to this committee, and to Congress, for such a policy.

Mr. Chairman, thanks to Congress and the individuals of this committee. Among others, some of the building blocks of that strategy are not in place. Our Joint Commission regards three initiatives which are particularly vital. In fact, the highest priorities of our Commission for this Congress center on these three programs.

They are, number one, full funding of Pell Grants at a level the new Higher Education Act provides for fiscal year 1988.

Secondly, extension of the tax code, section 127, employee educational assistance.

Again, if we are to meet the challenges of global competition, to me it would seem sheer folly to strip American workers of this incentive to pursue training and retraining.

And, third, extension of the new GI Bill as permanent law. As I understand today, Chairman Montgomery's bill will be introduced with 180 co-sponsors. We really need this bill approved in Congress.

In addition, the Congress struck other blows for competitiveness when it wrote Part C, adult training and retraining; Part E, high technology business and industry partnerships; and Title 3 of the Carl Perkins Vocational Education Act in the 98th Congress, and revamped Titles 1, post-secondary programs for non-traditional students, and Title 11, partnerships for economic development and urban community service in the Higher Education Act in the 99th Congress.

In section 406 Senator Pell has proposed funding Title 3 of the Perkins Act at $100 million, and we applaud this initiative.

If there were ever a time when funding of these excellent programs is necessary, I submit to you that that time is now.

In addition, Mr. Chairman, we are submitting for your consideration some suggested language for three ideas.

First, it would provide for replication of models of technical education programs designed to improve the quality of education for America's technically trained work force. The funds would be used to gather, organize, and disseminate information on innovative programs designed to enhance skills at institutions of post-secondary education and secondary schools to develop skills among individuals who are now facing or are likely to face job dislocation, to enhance the basic literacy skills, and to involve the business community in planning and offering employment opportunities to a trained work force.

The second idea asks the Secretary to gather, organize, and disseminate information on innovative programs that provide special child care services for the disadvantaged, special programs for students whose families are engaged in migrant and seasonal farm work, special programs for students from disadvantaged backgrounds, and provide summer programs for at risk youth from elementary and secondary schools.

Our third idea would involve small competitive grants that would function as seed money to promote partnerships between education, business, and industry at all levels, partnerships which would result in the development of training related to economic and international competitiveness, to acquisition of equipment, the exchange of experts, and the dissemination of information on effective models.

In summary, Mr. Chairman, through the kind of cooperation, compromise, and consensus that created the Marshall Plan, the Hoover Commission, the Employment Act, our nation and its people can recapture their competitive edge.

In education there are many successful program already on the book that enhance our global competitiveness. The federal government alone cannot create programs, however, which make America competitive. The federal government can help provide the impetus through policies and strategies that boost individual motivation and strengthen partnerships among groups to unite around the common goal of greater competitiveness.

Community colleges as they face the year 2000, when three-fourths of the new entrance in the work force will be minorities, women, and immigrants, community colleges look to the year 2000 as Secretary Brock said, there will be a job for every qualified person in America.

The question in my mind is will we have the work force we need. The thorny problems of at risk populations, dropouts, literacy, teen pregnancy, and drugs in our society, seem to continue to propel us toward a negative answer.

We believe a positive answer can be found in the policy Congress may propound to tie opportunities in technical education to the skills demanded of the global economic challenge.

Community colleges help through the opportunity, motivation, and hope found in our programs. We can do more through a national strategy that recognizes our potential to sharpen and expand technical education.

Mr. Chairman, with that statement, I would like to conclude my testimony. I would like to ask that you add for the record an article from the State University of New York News entitled Skill Shortage and Ways to Remedy It.

I do appreciate the opportunity to present these ideas to you, and I'd be pleased to respond to any questions that you, Mr. Chairman, or any member of this committee, might have.

[Prepared statement of Dr. Lex Walters follows:]

PREPARED STATEMENT OF LEX D. WALTERS, PRESIDENT, PIEDMONT TECHNICAL COLLEGE, SOUTH CAROLINA

Mr. Chairman and Members of the Committee:

My name is Lex Walters. I am President of Piedmont Technical College in Greenwood, South Carolina. It is a pleasure to be here today speaking to you on behalf of the Joint Commission on Federal Relations of the American Association of Community and Junior Colleges and the Association of Community College Trustees. I serve not only on the Joint Commission but also on the Board of Directors of the AACJC and as Chair-elect of AACJC's Presidents Academy.

You invited me here today to discuss the role of education in helping America improve its economic competitiveness. Specifically, you asked me to address the role of the community, technical and junior colleges in enhancing competitiveness; how our colleges can be utilized in job training, upgrading and retraining; how they can participate in adult literacy programs and how our colleges bridge between education and business and industry. Let me begin with an historic context.

When the Second World War was over, the euphoria that accompanied its end had been replaced by an unsettled peace. Europe was in economic chaos. Commerce between cities and the agricultural areas had deteriorated badly. There was serious doubt that Western Europe had the manufacturing capability, the foreign exchange or the social will to repair the war's devastation. There was a sense of imminent collapse. And there was the specter of Russian communism and Stalin.

In the United States, a plan for action was crystalizing. The Secretary of State went to Harvard to give a commencement speech on June 5, 1947. George Marshall wore a plain civilian suit and spoke with modest language, but his message had profound implications. To quote:

> The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole...It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace.

The emphasis of the Marshall Plan was on self-initiative and cooperative arrangements between governments and other entities. Marshall's speech reflected an obvious but vital understanding of human motivation. Incidentally, it seems more than mere coincidence to us that 1947 was the same year that President Truman's Commission on Higher Education made its report urging the proliferation of "community colleges" to make postsecondary education accessible to all Americans.

On June 22, 1947, the Harriman Committee was established by President Truman. The Harriman Committee was an important step in building the coalition that would be critical to the development of the Marshall Plan, to the passage of the enabling legislation on April 3, 1948, and to the revitalization of the Western European economy.

The Marshall Plan is a constructive example of how the United States can regain economic strength and a competitive edge for two reasons. First, it was the result of building a coalition which was in a spirit of cooperation, compromise and consensus in America. Second, it worked because, as in the reconstruction plan for Japan, it was essentially a balanced economic policy that focused on both investment and consumption and it was based on self-initiative and cooperation.

In addition to the Marshall Plan, two other public policies offer constructive examples of why America was strong in the immediate postwar era. The first was the Employment Act of 1946. It was based upon another simple but very powerful idea: jobs for all those willing to work, based on government economic policies to increase production and purchasing power. That idea caught the public interest and led to a postwar boom based primarily on automobile sales and housing expansion. Consumption led to jobs, which led to a rise in the standard of living, which, in turn, made more consumption possible. The result was a continuous upward cycle of economic expansion of jobs and consumption.

There was, however, a flaw in the Employment Act of 1946. Because of the circumstances of the times, the Act did not create a balanced economic policy. Productivity was not monitored. Policymakers did not keep a long-term watch on the supply side of the economic equation. Further, investment was not linked to job creation and full employment.

The second policy started with the Hoover Commission. The first Hoover Commission helped establish the President as manager of the executive branch. Work of the Hoover Commission resulted in the Reorganization Act of 1949 which President Truman used to strengthen the Presidency. He established an unbroken line of responsibility from the President to his department heads.

Thus, entering the 1950's, America had a strong bipartisan foreign policy, a domestic economic policy, and a sound framework of government. At that time we were the world leaders in trade, energy and productivity.

By the end of the Johnson - Nixon years, the spirit of cooperation, compromise and consensus that had made the Marshall Plan, the Employment Act and the Hoover Commission successful was greatly diminished in America. Our post World War II economic strength was ebbing.

Now, in the mid-1980's the congress and the country seem at last to be buckling down to the struggle of reversing this trend. This hearing is welcome evidence of that fact.Competitiveness is a primary issue in the mind of every Member of Congress I talk to.

I believe, and I think the community colleges believe that we can win the struggle if we establish as a national community — employers, government, education, labor, the private sector — the same spirit of cooperation and teamwork that typified the Marshall Plan and the key directions established during the Truman years.

That spirit has endured at least in part in our country's commitment to universal access in postsecondary education. Community / technical colleges and Pell Grants have become synonymous. The community college movement credits President Truman with providing the impetus that has made two-year colleges accessible to residents of nearly every Congressional district during the last generation.

The universal access to higher education envisioned in 1947 by the Truman Commission on Higher Education was, at that time, a radical goal. To quote from this important document:

> Equal educational opportunity for all persons to the maximum of their individual abilities and without regard to economic status, race, creed, color, sex, national origin, or ancestry is a major goal of American democracy. Only an informed, thoughtful, tolerant people can maintain and develop a free society. Equal opportunity for education does not mean equal or identical education for all individuals. It means, rather, that education at all levels shall be available equally to every qualified person....The Commission does not subscribe to the belief that higher education should be confined to an intellectual elite, much less a small elite drawn largely from families in the higher income brackets, nor does it believe that a broadening of opportunity means a dilution of standards either of admission or of scholarly attainment in college work....The danger is not that individuals may have too much education. It is rather that it may be either the wrong kind for the particular individuals or education dominated by inadequate purposes.

Though community colleges have emerged in the last decade as the largest distinct branch of higher education, serving nearly five million learners in formal credit and degree programs and a number nearly equally as large in non-credit courses, we feel our potential is markedly under-utilized in meeting the global challenge. Our success and popularity alone suggest that we are ready to shoulder larger tasks, if there is a cohesive national strategy to help us do so.

Allow me to share with you some of the efforts that are taking place in my home state of South Carolina by our two-year technical college system. A major effort has taken place in the last two years to develop partnerships between both units of education and between education and the private sector. This past year, new state legislation, entitled "The Employment Revitalization Act," opened up new avenues of cooperation both between secondary and postsecondary education and between postsecondary education and business and industry.

The South Carolina two-year colleges have also expanded their roles in job training, upgrading and retraining. The State Board for Technical and Comprehensive Education, which is the governing board for two-year colleges in South Carolina, was given the responsibility through the Employment Revitalization Act to administer the Job Training Partnership Act monies in South Carolina. Each of the technical colleges is expanding its role to utilize effectively available JTPA funds for an effective response to the needs of our citizens who qualify for this assistance.

Additionally, through state supported programs, our colleges can say to a business or industry which is creating new jobs — "yes, we will train people for the new jobs you are creating so that on the day you are ready for employees to enter this building we will have people trained and ready to go to work." The only limitation to the program is adequacy of state and federal support.

The South Carolina technical colleges, in cooperation with the South Carolina State Department of Education and the Literacy Associations, have put forth a major effort to address the critical adult literacy needs of our state. For example, on my campus, we house the coordinating council for the area literacy associations. Additionally, through a cooperative effort with the South Carolina State Department of Adult Education and my college's own developmental studies programs, we can say to residents of our service area that any adult can upgrade skills and prepare for the new kinds of jobs that are being created throughout our state. Support for adult literacy programs is critical to our nation. In the area my college serves, using 8th grade competency achievement as the minimum educational level necessary to perform in a work environment, there are counties where as many as 40% of their citizens fall below this minimum literacy level. It is difficult for these individuals to function in today's society. More must be done to help these people.

To expand further on the role the technical colleges in South Carolina are playing in job development and training, much is being done to support small business and entrepreneurial efforts. For example, on my college campus and at many of the technical colleges across South Carolina, a small business center has been established to offer special training programs which respond specifically to the needs of the small businesses. For example, located at my institution is a Small Business Administration SCORE (Service Core of Retired Executives) Office. A SCORE volunteer sits down with any individual considering a business venture and advises this person on possibilities as well as dangers relating to this business. Additionally, this chapter, in concert with the Small Business Center, counsels businesses already in operation to minimize business risks and failure.

I have only touched on a few of the thrusts that are taking place in my state. There are many other exemplary programs in two-year colleges across this country that are making significant strides in meeting educational needs so that our citizens can compete more effectively in a rapidly changing job structure. In most cases, the programs of the type I have just described are new thrusts that the two-year colleges have initiated to respond directly to existing needs in their local communities. These efforts are greatly limited by the availability of funding support both at the local and national levels.

My desire to join this panel today is to assure the Congress that our colleges stand ready to shoulder whatever tasks you find appropriate to our role in this struggle. I read recently that the Community, Technical, and Junior Colleges are America's best kept secret. Today, we want to lift the cloak of secrecy.Our two-year colleges are poised to charge forward to respond to the needs which can be met through postsecondary education and training.

Certainly we do not make this offer lightly. We think it appropriate for two reasons:

First, our economy has been slipping in global competition largely because our skill base no longer exceeds that of our more advanced competitors. We simply are not keeping pace with them in technical education. Recently the Southern Regional Education Board released a publication entitled Half Way Home and a long way to go. This title is descriptive of the road our two year colleges must travel. The road, however, is continually being lengthened by the factors of global competition and technological change.

Second, outside industry itself, community, technical and junior colleges have become the country's largest source of well-trained technicians and high-technology training.

This underscores a point I have already made: if the employment community and the educational community are going to meet the global challenge, there must be a national strategy to help us do it. Resources can be more effectively targeted toward the priorities dictated by this struggle. And we look to this Committee and the Congress for such policy.

Mr. Chairman, thanks to Congress and the vision of this Committee, among others, some of the building blocks of that strategy already are in place. Our Joint Commission regards three initiatives which are particularly vital. In fact, the highest priorities of our Commission for this Congress center on these three programs. Our priorities are:

1. Full funding of the Pell Grants at the level the new Higher Education Act provides for FY'88 — i.e., a cost allowance and maximum grant of $2,500 each. As global competition and changing technology heighten the skill demand of employment, postsecondary access to postsecondary training increasingly becomes the foundation of the American dream. We cannot thank this Committee enough for your vigilant support of universal access and Pell Grants.

2. Extension of Tax Code Section 127 (Employee Educational Assistance) as permanent law. Again, if we are to meet the challenges of global competition, it would be sheer folly to strip working Americans of this incentive to pursue training and re-training.

3. Extension of the New GI Bill as permanent law. We understand that Chairman Montgomery's bill will be introduced today, with 180 cosponsors. The New GI Bill is raising the general quality of military enlistees and enhancing the national skill base, while it reduces the costly competition among industry, education and the military for a declining flow of high school graduates.

In addition, the Congress struck other blows for competitiveness when it wrote Part C, Adult Training and Retraining, and Part E, High Technology Business-Industry Partnerships, in Title III of the Carl Perkins Vocational Education Act in the 98th Congress and the revamped Titles I, Postsecondary Programs for Nontraditional Students, and Title XI, Partnership for Economic Development and Urban Community Service in the Higher Education Act in the 99th Congress. In Section 406, Senator Pell has proposed funding Title III of the Perkins Act at $100 million and we applaud this initiative. If ever there were a time when funding of these excellent programs is necessary, it is now.

In addition, Mr. Chairman, we are submitting for your consideration some suggested language for three small ideas. The first would provide for replication models of technical education programs designed to improve the quality of education for America's technically trained work force. The funds would be used to gather, organize and disseminate information on innovative programs designed to enhance skills; at institutions of postsecondary education and secondary schools, to develop skills among individuals who are now facing or are likely to face job dislocation; to enhance basic literacy skills; and to involve the business community in planning and offering employment opportunities to the trained work force.

The second idea asks the Secretary to gather, organize and disseminate information on innovative programs that provide special child care services for the disadvantaged; special programs for students whose families are engaged in migrant and seasonal farm work; special programs for students from disadvantaged backgrounds; and provide summer programs for at risk youth from elementary and secondary schools.

Our third idea would involve small competitive grants which would function as seed money to promote partnerships between education, business and government at all levels — partnerships which would result in the development of training programs related to economic and international competitiveness, the acquisition of equipment, the exchange of experts, and the dissemination of information on effective models.

In summary, Mr. Chairman, through the kind of cooperation, compromise and consensus that created the Marshall Plan, the Hoover Commission and the Employment Act, our nation and its people can recapture their competitive edge. In education, there are many successful programs already on the books that enhance our global competitiveness. The federal government alone cannot create programs, however, which will make America competitive. However, the federal government can help provide the impetus, through policies and strategies that boost individual motivation and strengthen partnerships among disparate groups who unite around the common goal of greater competitiveness.

Community colleges look to the year 2000 when three-fourths of the new entrants in the work force will be minorities, women and immigrants. Community colleges look to the year 2000 when, as Secretary Brock says, "There will be a job for every qualified person in America..." Will we have the work force we need? The thorny problems of at risk populations, dropouts, illiteracy, teen pregnancy and drugs in our society seem to continue to propel us toward a negative answer.

We believe a positive answer can be found in the policy Congress may propound to tie opportunities in technical education to the skilled demands of the global economic challenge. Community colleges help through the opportunity, motivation and hope found in our programs. We can do more through a national strategy that recognizes our potential to sharpen and expand technical education.

In closing, Mr. Chairman, we might add that we have come up with a summary of seven ideas and concepts by which we believe the community college potential could be used to greater advantage in tackling the global challenge. They are:

1. Develop programs aimed at guaranteeing that the nation's technical education infrastructure can provide the education and training necessary to make the American skill base the most competitive in the world.

2. Develop federally funded programs that insure comprehensive training and retraining for the nation's dislocated workers.

3. Insure timely transfer to both technical education programs and industry of the new technology and knowledge emerging from federally sponsored research.

4. Establish a facilities and equipment modernization emphasis in all federal agency programs responsible for technical education and work force training.

5. Develop federal programs aimed at reducing the pool of functionally illiterate by 50% by the year 2000, thus freeing the technical education and work force training infrastructure of the pressing demands for remediation.

6. Develop federally funded programs aimed at reducing the high school dropout rate by 50% by the year 2000.

7. Make unemployment compensation recipients automatically eligible for training in each of the 50 states and overhaul the U.S. Employment Service to help it link more effectively to education and training institutions and employer needs.

Mr Chairman and members of the Committee, I am honored to have the opportunity to share these thoughts with you. As I close, I recall what Thomas Jefferson said: "If a nation expects to be ignorant and free, it expects what never was and never shall be."

In meeting our nation's educational needs, we may be half way home, but, as you know, we have a long way to go. With your continued leadership and support, America's 1200+ community, technical and junior colleges can become a vehicle through which this country's citizens can meet the challenges of global competition.

Mr. **Kildee**. Thank you very much, Dr. Walters, for your very clear testimony.

I have some questions. I'm from Flint, Michigan. We have problems that are probably different, but the whole country is in the same situation in a sense with respect to competitiveness, although it is different perhaps in South Carolina.

A couple years ago with encouragement of myself and some other people, we put together in Flint, Michigan in Genessee County, a consortium of educational institutions, the University of Michigan, a Mott community college, which is a two year institution, the local school board, the Flint Board of Education, and the Genessee Intermediate School District, and they provided services to Buick specifically to train and retrain workers. And that was not just technical training. We found out that many needed some of the basic skills in order to implement the new technology, and understand the manuals that were needed in that new technology.

Mr. **Jeffords**. Excuse me, Mr. Chairman. If you'll yield to me for just a moment.

I deeply apologize but the Chairman has started a special order on the House floor, in which I'm supposed to participate, relative to the very subjects we're talking about.

An excellent statement. I really appreciate your being here, and I'm deeply sorry that I have to leave at this time. Thank you.

Mr. **Kildee**. Thank you, Mr. Jeffords. I'm part of that too, but I'll have mine dropped in, but say some good words for me.

I think my testimony will be handed in over there on the floor. Would you take care of that, Susan.

How common is such a consortium where the various educational agencies do come together to provide a service for the private sector as was the case there in Flint? Now, this was a large corporation, General Motors, one of the largest corporations in the world, but how common is this consortium concept, or this cooperation, between educational institutions, and what can the federal government do in its policies and its laws to try to encourage such cooperation?

Dr. **Walters**. Thank you, Mr. Chairman, for that question. I am very familiar with much of the work that takes place in your state, and that I had a rather unique opportunity about two years ago to come and spend a day with the President of your two year colleges talking about a number of things that we were doing in South Carolina, and I understand that they have drawn some of the plans and programs from the information that I presented.

But I think the cooperation of which you speak is the way we in the two year colleges are beginning to broaden our educational base. Certainly we cannot meet all of the needs within the two year colleges; business, and industry cannot meet all the needs themselves, and I think the way that we can best capitalize on the resources, and the capabilities that we have, the resources, the capabilities, the senior institutions have, as well as those of business and industry, is by coming together in a consortium approach to work together to assess and then plan and deliver educational programs to respond directly to those needs.

I mentioned earlier in the testimony the new legislation presented in South Carolina this past year. That legislation encouraged on a state level this cooperation about which you are speaking.

I would hope that through some of the federal sources of funding, incentive monies could be made available to encourage this kind of a cooperation.

I think more of the incentive monies that could be available, the more interest you would see in this cooperative spirit.

Mr. KILDEE. I appreciate that, because I think that the experience we had in Flint was very positive. We were able to take care of the needs of the employer and the employees to a good extent through this retraining and education. And each institution had its specific skills, and talents, and expertise, and the combined four were really able to take care of the needs, as I say, of the employer and the employees.

So we will look for ways. We put some of that into the legislation drafted last year, which did not see total passage. It passed in the House, and we'll try to do that again in this year's legislation to encourage such cooperation. We may be in contact with you specifically again for some ideas on that.

Dr. WALTERS. I would greatly appreciate that, and if I could add one other item.

We in the two year colleges certainly appreciate the support from Congress. We have been frustrated at times in that legislation has been introduced to respond very specifically to needs that we have, yet the funding has not backed that legislation.

And we hope that as you look at the utilization of funding this next year that you will look at the two year college specifically because we think we can provide the best return for the educational investment possible for your federal dollars.

Mr. KILDEE. The greatest congressional sin is great authorizations and stingy appropriations. We try to do penance for our sins, but that is a constant sin. We are guilty of recidivism on that.

In Flint we did have General Motors as the company who needed that retraining for its workers, and really education for many of its workers.

How can we better help since most of the jobs will be new jobs, and will be provided by small business? How can we better relate to small business? How can we, for example, fuse the training needs of a business with the educational resources in a community? How can we work closely with the JTPA, for example, to help small businesses train and retrain workers?

I know in Flint right now that while we want to keep General Motors healthy, the new jobs are pretty well going to be in small business. We are searching for ways, not only in Flint, but throughout the country to assist those small businesses.

If you can enlighten us, I'm sure you have a number of small businesses in your area that you serve.

Dr. WALTERS. We certainly do.

I think the thing that bothers me most, Mr. Chairman, is that we have no unified national policy on training. And we have many different thrusts. The Job Training Partnership Act that you have mentioned is certainly a major thrust.

But we have no unified focus, and I would like to see from a personal standpoint a national task force appointed to look at all of the programs that are in place, and how those programs can best be coordinated and utilized to meet the needs of the people in this country.

When we look at the employees that are now working, three-fourths of those that will be in the jobs in the year 2000 are already employed. Many of those people need to be trained. They need to be retrained in order to respond to the changing technology of the jobs that they have.

In the little community where I live we lost a plant that had 1,200 jobs associated with it. Many of those people had been there for years, and they were not prepared for any other kinds of work, and we in our small way tried to respond to the needs of those people.

But I would hope through a coordinated effort on a national basis that we could look at possibly restructuring some of the funds that are available, look at some of the duplication that might exist between programs, to respond very specifically to those needs.

And this legislation that I mentioned in South Carolina this past year, the responsibility for Job Training Partnership Act funds were given to the State Board for Technical and Comprehensive Education, which is the governing board for two year colleges in our state.

At my institution I have the primary training responsibility for about one-seventh of the land mass of the state for the federally supported Job Training Partnership Act programs. We are looking at how we can most effectively utilize those dollars to respond to the critical needs that we have in a rural portion of our state.

One of the counties in which I serve, 40 percent of the residents of that county are termed illiterate by national standards. So we have tremendous needs, and we are looking for ways through programs like the Job Training Partnership Act, through other areas, to meet the needs of these people.

Mr. KILDEE. In your institution, how do you relate to your local or your regional economic development agency? Very often that agency is assigned the responsibility to keep existing businesses flourishing, to bring new businesses in.

How do you work with that group so you can tell the businesses what you can provide for them?

Dr. WALTERS. We consider ourselves very much a part of that group.

For example, in the area of the state my college serves, we have seven counties. Within those counties we have some ten economic development groups, a number of Chambers of Commerce, leadership within county governments that has specific responsibilities for economic development.

My institution serves as a catalyst to bring those people together, to facilitate regional economic development.

We have seen in at least our part of the country that no longer can a small community effectively compete for a large number of new jobs, and that all across this nation we have so many communities competing, and most of the communities are now offering the same kind of incentives to get a company to locate there to expand there.

One of the things that we are doing at my college is to look at things on a regional basis. For example, the one county in which I reside may not meet the demographic parameters that an employer might be looking at, but yet we can tie in one or two, or three of the other counties, all of the information together, and perhaps we can attract a new industry that would bring new jobs.

I feel very good about that point at this point in time, and that we have had four major plant announcements within the last six months in the area of my college, and much of it has to do with this cooperative effort that I just referred to.

Mr. **Kildee**. Mr. Visclosky.

Mr. **Visclosky**. Mr. Chairman, thank you very much.

Dr. Walters, the question I have is specific to an individual. If a person graduates from high school, has that diploma, has graduated in the top third of their class, and applies for admission, but whose combined SAT scores are under 600, or who cannot functionally communicate in a written form, if that person applies to a community college today in your area, what happens to that person, and under examining our trade legislation, what should happen to that person?

Dr. **Walters**. I appreciate that question because I think that is to the heart of admission to a two year college.

And it's often misunderstood in that each of the programs that Piedmont Technical College, my institution offers, has minimum standards of entrance into the different programs of study that we have, and some of those programs of study have entrance requirements that are fairly high.

But yet if an individual comes to us and says I am interested in enrolling in electronics engineering technology, and we know for a person to be successful in that field they must have a good background in mathematics.

We can look at the background of the individual coming to us through an assessment procedure. We can say to that individual this is where you are, these are the competencies that you have, and the basic skills. Now these are the competencies that you need to be successful in this program of electronics engineering technology.

Now, this is where you are, this is where you need to be, and this is what you must do to get from where you are to where you need to be.

And we do that through our developmental studies programs.

For example, this past year one half of the students that came to my institution did not have the basic skills to be successful, and we enrolled all of those students in the program we called developmental education.

Mr. **Visclosky**. I'm sorry. What was that figure again?

Dr. **Walters**. Developmental education.

Mr. **Visclosky**. No, what was the figure as far as how many applied?

Dr. **Walters**. One half of the students enrolling at Piedmont Technical College this past year enrolled in the remedial under-developmental education programs.

Mr. **Visclosky**. My follow-up question is what about your high school system, but I'll withdraw that question.

Dr. **Walters**. Well, I would like to comment on that if you would allow me.

Mr. **Visclosky**. I'd appreciate it if you would.

Dr. **Walters**. In South Carolina the legislation was enacted year before last to put an additional sales tax on dedicated specifically to secondary education. You must keep in mind that we have a long history of short funding for public education in our state. But I think in just the last few years, and certainly within the last two years, we've made major strides.

Secretary Bell, for example, when he was in office, pointed to the South Carolina support for our secondary education as one of the three most innovative and forward-looking in the nation.

It's too early to look at the impact of that, but I feel very comfortable two years, three years, perhaps as many as five years on down the road. We'll see much benefit from that.

The problem that we have in the two year college is that only about one fourth of the students coming to the two year college come directly from high school. The three-fourths of those have worked out two, three, four, five, some 20 or 30 years, and I don't know about you, but in my case if I had to go back and show my skills in algebra and trigonometry, I would probably enroll in the developmental education to brush up on those skills.

And we find that especially true when we have—for example, a female head of household that has been out of the job markets for years whose kids are now grown, wanting to come back and get skills to get back into the job market.

Those are the people that largely are enrolling in the developmental education programs to brush up on those basic skills so they can be successful in the technology and advanced programs and courses that we have.

Mr. **Visclosky**. Is there a specific part of federal funds, and excuse my ignorance, but I am new to the committee and trying to educate myself, that you draw from at the federal level for your development program?

Dr. **Walters**. Unfortunately, we do not draw federal monies for that program. We do receive some monies through our State Department of Education, for what we term adult education, our GED, completion programs, but the developmental education programs that we are offering within our state are funded through state sources.

Mr. **Visclosky**. I guess the last question I would have, each of us have a parochial interest would bring to the committee, and Mr. Richardson in this instance talked about bilingual education under a particular problem in Gary. We share many things in common with the Chairman.

Have we tried to be too specific and too categorical in some of our educational legislation as opposed to making sure that we pay attention to the funding, and make sure that we have a broad scope to take care of the general population, as well as some specific problems that come to mind?

Dr. **Walters**. I think this could very well be the case. I can understand why the legislation is very specific, because many of the regions of the country have very specific needs, but I know in the case of the institution that I represent, a broader base of funding that would allow us to be more effective in responding to some of the needs that we have, especially when we have plant closings, we have a tremendous change in the job structure, we need as much flexibility as we can get to respond specifically to the needs of those people we serve.

Mr. **Visclosky**. Doctor, thank you very much.

Dr. **Walters**. Thank you.

Mr. **Kildee**. Doctor, you said that 50 percent of your graduates required remediation.

Dr. **Walters**. Fifty percent of those students enrolling.

Mr. **Kildee**. Enrolling.

Dr. **Walters**. For the first time, would need some remediation.

Mr. **Kildee**. Now, is that unique to your institution, or is that fairly common in two year institutions?

Dr. **Walters**. It would be fairly common across the country, and I think much of this goes back to the standards that I mentioned that we have set, and specifically in my institution we go for a person to be successful in a program like a program for associate degree nursing, or registered nursing.

That takes a person with very good basic skills, and each year we are only able to take about one in ten that apply for those programs.

Many of the people that are applying are the people of the type I referred to earlier that have been out of school a number of years and are wanting to get back into the educational arena. And it's not that these people don't have the capability. It's just that they don't have the competency and the basic skills.

And we have found that we can bring a person into our developmental programs, and in a very short time move them very quickly through several grade levels, or move them very quickly up to the minimum entry level to our programs of study.

Mr. **Kildee**. How long has South Carolina now had mandatory school attendance? They were lagging behind the rest of the nation with it, for awhile.

Dr. **Walters**. Well, they were for a while, but I'm pleased to report that in the legislation that was passed two years ago, not only does South Carolina have a mandatory attendance rule very strictly written into that law, they extended the day for the number of hours a day the student attend classes. They extended the number of days in the year the students go to school.

We've seen significant gains in our state in terms of the number of students that are at school on a regular basis. We've seen significant gains in the SAT scores, and I feel that South Carolina is moving certainly in the right direction, and I would hope that when you reflect back on some of the successes that we've seen in the last couple of years, perhaps five years on down the road, that you'll see South Carolina move on up from perhaps the lower quartile in many of the educational statistics, somewhere in the upper quartile.

Mr. **Kildee**. When this change took place in South Carolina, and I'm very encouraged by it, was that done not only just for socially good grounds, and morally good grounds, but economic grounds also?

Dr. **Walters**. Very much economic grounds as well because there was a strong feeling in our state if we were going to compete—first of all, we had to do something for the people that would be working within those new jobs that would be created.

I work very closely as a Chairman of an area Economic Development Committee with many new industries that are looking at our state, many industries that are already there that are considering expanding within the state, and nothing turns a new industry that's looking in the area off more quickly than to go into an area and not get their positive comments concerning the quality of the education in that area.

So the leadership of our state, and certainly our Governor, felt that we had to do something to address the educational needs in South Carolina at the most basic level, as well as the post-secondary level.

Mr. **Kildee**. Let me ask you this on that point. If a mid-sized business, or a small business, is thinking of locating in a small town in your area, is it not true that they not only want good education and training for their workers, but for the most part they're going to be sending management people in there who want good education for themselves and their children.

Is that a factor when a business locates? Management people coming in want to make sure their children can go to a good K-12 school system, and that there's some good higher education in the area? Is that a factor in their location?

Dr. **Walters**. It's an extreme factor. In fact, on that one point, if the manager's wife happens to come with him, the best way that I can impact the manager is to have my wife join me and talk with the spouse of the manager concerning the quality of the school system, the quality of life in the area.

Mr. **Kildee**. That is a factor, then isn't it, not just for the workers but for the owners and managers' immediate needs?

Dr. **Walters**. Oh, very much, because the head of a company does not want to move into an area where the schools are not considered quality because certainly he wants a quality education for his kids.

Mr. **Kildee**. One summary question here.

I've always said, and it's not unique with me, but I've said that education is a local function, a state responsibility and also a very, very important Federal concern. And I think that tripod is very important—the function, the responsibility and the concern.

In summary, could you tell us how, along with dollars, how can the Federal government better exercise and demonstrate its concern for education throughout the country? I ask that because we certainly have national purposes in education. Right now in the trade situation, that's certainly a national purpose in that we have to gear up for this competition.

How better can we demonstrate and exercise that Federal concern for education?

Dr. **Walters**. I would go back to the comment that I made earlier in that I really feel that we need a national task force, a national commission, to look at the broad sector of needs of our citizenry and look at the programs that we have, look at how those programs can be more effective in funding the needs of our people, look at some of the incentive funds that might be available to disseminate information on research that is available that might impact the quality of our educational programs, look at other ways that we can provide a catalyst for cooperation between both the public sector and the private sector of the type, Mr. Chairman, that you described in your home State.

I think many things are being done by single institutions or perhaps, as you described, groups of institutions, but I think much more of that kind of thing needs to be done. And if there is seed money available, if there is money available to provide the impetus in this direction, I think it would help.

Mr. **Kildee**. Now, I wonder on that point, how often or how much does our Department of Commerce, the Department of Labor, our Department of Education, our Department of HHS, how much do they actually communicate with each other when it comes to this country having a well trained work force to make sure the commerce of this country is really alive and vibrant. I'm not sure we communicate that much among ourselves. We can become compartmentalized in this, also.

Dr. **Walters**. Well, that certainly is the case and too often the right hand does not know what the left hand is doing, and that's one of the reasons I feel so good about what is happening in my state, both in the new legislation that I've mentioned at the secondary level, and also the legislation that I've mentioned, the employment revitalization act this past year. Because, prior to that legislation, the leadership of our state which is made up of the post-secondary institutions as well as the secondary institutions, business and industry, spent many hours looking at where we have areas of overlap, where we have duplication, how can we in a state where we have limited resources and certainly not the wealth of many of the other states in this nation, how can we use those limited resources to maximum advantage to serve the people of our state.

And as I stated, we may be halfway there, but we certainly have a long ways to go. But I do feel that we have started in the right direction, and I would hope through a national policy of employment and training, we could look at all of these different programs, how they could interrelate, how they could be tied together, how any overlapping areas might be minimized so that we can put the maximum impact of those dollars to the benefit of the people that need them most.

Mr. **Kildee**. You spoke of the left hand not knowing what the right hand is doing. I think a frightening example of that on the Federal level is that one department of the Federal government speaks of the reindustrialization of America and at the same time the budget for another department is being cut 28 percent for education, including zeroing out vocational education.

I don't know how he can reindustrialize a nation when you zero out vocational education.

Dr. **Walters**. No, you really can't. And another misconception is that the two-year colleges in this country are only for those students that can't get into the four year colleges and those students that are not qualified to go into the upper level programs.

At my institution, I have associate degree level programs in which half of those students enrolling already have either a two-year or a four-year degree from another institution. They're coming back to my institution to get the technical skills so that they can work within the jobs that exist in the area of South Carolina that we serve.

Mr. **Kildee**. It seems that the two-year schools are always on the very dynamic cutting edge and are probably going through constant metamorphosis, aren't they? They're more flexible perhaps than many other institutions?

Dr. **Walters**. They certainly are. And I think the two year college reflects the community from which it comes. And as the employment needs change, as technology impacts jobs, I think the two-year colleges stand to more quickly respond to those changing job needs than any other unit of education.

I certainly think that's going to be the case over the next ten to 20 years, as we see the changing job structure impact so many of the jobs, certainly in your state as well as mine, Mr. Chairman. We have a tremendous challenge ahead to retrain, to update our people so that they can work effectively within the jobs that we have in our state.

Mr. **Kildee**. Peter, did you have any additional questions?

Mr. **Visclosky**. Mr. Chairman, just a few.

I must tell you that the statistic of one of two, even granting you a quarter of those people just coming in have recently graduated from high school has taken my breath away. And I've continued to listen to some of your comments as well as the previous two witnesses.

Do you believe that at a college, it is your role fundamentally to sponsor this type of developmental programming at a fundamental level? You've assumed that responsibility and it appears that you are meeting it well. But do you think that's your role as a college?

Dr. **Walters**. Absolutely. And I say that for the adult, let's say the 35-year old that lost their job with an industrial plant there because of the change in technology. That person may be a high school graduate but graduated a number of years ago.

Might I question, where will that person turn? The two-year college is about the only option that person truly has. To meet the entrance criteria at a senior college or university would probably be very difficult. But that individual can come to us as an open-door institution. We will assist that individual in the basic skills. We will help that individual achieve the entrance skills so that that person can then go into the program of study where they can be successful.

If you go back to the quote from the Truman Commission that I mentioned earlier, I think that clearly lays forth the philosophy of the two-year colleges in this country. We are in large open-door institutions, but that doesn't mean that any student can enroll in any program of study. That means that a student can come to us, whatever their educational background; we will assist that student in determining at what level they're functioning and we will prescribe for that student a road map to get from where they are to where they need to be to be successful in the educational direction that they want to head.

Mr. VISCLOSKY. Doctor, as far as the quality of the faculty that you are able to attract, there's also been comment today about trying to focus additional attention on those who teach the sciences and mathematics, to improve the benefits for those teachers.

Loan forgiveness for education of teachers has been mentioned.

Dr. WALTERS. Yes.

Mr. VISCLOSKY. Do you feel that that would be an incentive that would have an impact on the situation you find yourself in and what is really that situation?

Dr. WALTERS. Yes, I would support that, and not only for individuals going into teaching for the first time, but one of the real challenges that we have, and I think not only at the two-year colleges, but the four-year colleges, as well is keeping our teachers current.

For example, we have a program at my institution in automated manufacturing technology, a very successful program that has led to new entry location and new jobs in our area. Believe me, to find a person with academic credentials and experience in the areas of robotics or in some of the more sophisticated areas of automation, they are few and far between. And especially when we find that person, to be able to compete with the salaries of other organizations, so that I can bring that person to my campus to teach, is very difficult.

So I would support not only that incentive for those going into the math and science area, initially, but also looking at some way that we can encourage those that are in those critical disciplines now to stay current so that the educational programs that they are presenting are current, so that the students that we graduate can be current moving into the jobs that exist.

Mr. VISCLOSKY. Dr. Walters, one last question.

There's a great debate now as far as setting minimal standards for educators. What's your general attitude towards that concept and the debate taking place now in our country?

Dr. WALTERS. In the region of the country from which I come, the minimum standards have already been set, and they've been set by the accrediting agency, the Southern Association of Colleges and Schools. I serve on that Board, on that Commission, and there's a very strong feeling in the southeast that if the quality of programs is directly tied to the competencies that individuals bring to the classrooms, and we in certainly the southeast have supported that move. I might add that it is a two edged sword in that as the skill levels are elevated, the ability to attract people into those programs with those skills is becoming more difficult.

So, just——

Mr. VISCLOSKY. I should think——

Dr. WALTERS [continuing]. The closing comment, so this comes back to the point that to a large degree, we must train and retrain our own.

Mr. VISCLOSKY. And then compensate people for the standards they've met?

Dr. WALTERS. Yes.

Mr. VISCLOSKY. Doctor, thank you very much.

Mr. Chairman.

Mr. KILDEE. Dr. Walters, the longer I'm here in Washington, the more I realize that all wisdom does not reside here; it resides around the country. And you are certainly an example of that, because you have certainly brought wisdom to this Committee today.

And if it's any consolation, I think you can feel that you will have played a role in the writing of this bill, and for that, we are deeply grateful.

Dr. WALTERS. Thank you, Mr. Chairman.

Mr. KILDEE. At that, we'll stand adjourned.

[Whereupon, at 12:55 p.m., the committee was adjourned.]

EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS

Creating a Competitive Economy

WEDNESDAY, FEBRUARY 11, 1987

House of Representatives,
Committee on Education and Labor,
Washington, DC.

The committee met, pursuant to call, at 9:37 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the committee) presiding.

Members present: Representatives Hawkins, Kildee, Williams, Martinez, Owens, Hayes, Sawyer, Penny Richardson, Visclosky, Atkins, Jeffords, Bartlett and Ballenger.

Staff present: Eugene Sofer, budget analyst; Dan Yager, minority counsel.

Chairman Hawkins. The Committee on Education and Labor is called to order.

The Chair has an opening statement concerning this series of hearings. However, in view of the fact that yesterday we inconvenienced some of the witnesses by keeping them too long, the Chair will set the tone today by foregoing his statement. That does not preclude Mr. Jeffords from making a statement or any other Members. The Chair would like to express his appreciation to the witnesses that we have had so far and those that we anticipate and those that are with us today.

Let me make one other announcement addressed to Members to my right, who may think that we have deliberately selected witnesses with a certain philosophy, ideology or other consideration. If there is any fear that is so I would like to suggest that any of the Members who may have witnesses that express a different point of view one way or the other bring them to my attention. The Chair will certainly see that they are included in the hearings and that every voice is heard from.

We want to make these hearings and the product of these hearings bipartisan and I think in that spirit, we certainly will try to accommodate every point of view.

[Statement of Chairman Augustus F. Hawkins follows:]

OPENING STATEMENT OF HON. AUGUSTUS F. HAWKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA AND CHAIRMAN, COMMITTEE ON EDUCATION AND LABOR, FEBRUARY 11, 1987

I would like to welcome you to the second in a series of hearings this Committee is holding on H.R. 90, The Education and Training for American Competitiveness Act of 1987.

The purpose of that legislation is to restore U.S. competitiveness which I would define as the degree to which we can, under fair market conditions, produce the goods and services that succeed in international markets while maintaining, or preferably expanding, the real income of our citizens.

Productivity in the U.S. remains higher than anywhere else in absolute terms, but it has declined in relative terms. If we are to regain our pre-eminent position, we have our work cut out for us.

* In the 1960's, U.S. productivity grew at a rate that doubled our standard of living every twenty-three (23) years. At today's rate of growth, it will require seventy (70) years.
* From 1973 to 1983, U.S. productivity rose at .3 percent per year. Britain's annual gain was five times that and the French' and Germans' rose seven times as fast. Japan's rate was nine times ours and Korea's was 15 times higher than the U.S. rate.
* Median annual income for all American families dropped 4.5 percent from 1979 to 1985, and the decline would have been far greater except for the increase in

two-earner families. In fact, the average worker's paycheck lost eight percent of its buying power between 1979 and 1986.

* The number of jobs has grown by 11.3 million in the last six years, but the economy created 10.5 million jobs in just four years between 1977-1981. The quality of the many service sector jobs created is in sharp contrast to that of the manufacturing jobs lost.
* One consequence of this virtual stagnation is that since 1980, America has suffered a net loss of over one million production jobs in manufacturing, paying an average of $13 an hour. At the same time, jobs in services and retail trades, paying between $5 and $7, have increased by 5.5 million.
* In fact, the American economy has not yet regained the standard of living that the typical American family enjoyed in 1973.

If we are to succeed, we have to produce meaningful jobs. After all, a training program is worthless if there are no jobs to fill. It is not a coincidence that Japan has an employment rate of only 2.6 percent or Switzerland less than 1 percent.

I am convinced that the overvalued dollar and unfair trade practices contribute to our lack of competitiveness. But, the fact of the matter is that the trade deficit is a symptom of our declining position, not its cause. Our economic ills do not lend themselves to glib and easy solutions.

If we are to solve our problems, we must understand how we got into this mess in the first place. I am confident that our witnesses can provide that context for us as well as suggest some policy directions for us to consider.

I would like to welcome our witnesses:

1. Frank Doyle
   Senior Vice President
   General Electric Corp.

2. Rudy Oswald
   Director Economic Research
   AFL-CIO

3. William Spring
   Vice President
   Federal Reserve Bank of Boston

4. Professor Michael Porter
   Harvard Business School

Chairman HAWKINS. Mr. Jeffords, do you have a statement?

Mr. JEFFORDS. Just a brief one, Mr. Chairman. I thank you for allowing us to submit names that we wish to be heard. I want to commend you on holding these hearings and again to recognize the seriousness of them. We now face two deficits; one in our own national debt, as well as the trade deficit. We need to recognize in this committee that what we are talking about here is the future of our standard of living in this country. The question is not so much how we improve our standard of living, although we would all like to do that, but whether or not we can preserve the one that we are currently enjoying.

These are extremely important hearings and I look forward to the distinguished witnesses we have here today in the panel before us.

Chairman HAWKINS. Any other statement at this time?

If not, the Chair would like to introduce the witnesses that are seated at the witness table. Mr. Frank Doyle, Senior Vice President, General Electric Company, Fairfield, Connecticut; Mr. Rudolph Oswald, Director of the Department of Economic Research of the AFL-CIO; Mr. William Spring, Vice President, Federal Reserve Bank of Boston, and Dr. Michael E. Porter, Professor of Business Administration, Harvard Business School.

Dr. Porter has been delayed. He is on his way down from Boston. As soon as he arrives he will be joining the panel.

Without any further remarks with respect to the witnesses, all of whom we recognize as outstanding authorities and in some instances very personal friends and individuals formerly connected with this Committee in one way or the other, may I proceed to call upon them in the order in which they have been introduced. They will give their prepared statement, and then we will question the witnesses as a panel. That way we avoid duplicate questions. With the witnesses that we have today, I think we will accomplish our purpose of furthering the cause of this series of hearings.

Mr. Frank Doyle. We would call on you first, please.

STATEMENTS OF FRANK DOYLE, SENIOR VICE PRESIDENT, GENERAL ELECTRIC CO. IN FAIRFIELD, CT; RUDOLPH A. OSWALD, DIRECTOR, DEPARTMENT OF ECONOMIC RESEARCH, AFL-CIO; WILLIAM SPRING, VICE PRESIDENT, FEDERAL RESERVE BANK OF BOSTON; AND MICHAEL E. PORTER, PROFESSOR OF BUSINESS ADMINISTRATION, HARVARD BUSINESS SCHOOL

Mr. DOYLE. Thank you, Mr. Chairman. It is a pleasure to have this opportunity to meet with you and discuss an issue or issues which are of great importance to all American companies, and to the nation as a whole.

I am approaching this issue today as chairman of the Committee for Economic Development's ad hoc Task Force on Labor Market Adjustment, which has developed the report before you entitled "Work and Change, Labor Market Policies in a Competitive World". I have previously submitted a formal statement but this morning in the interest of time will cover only the salient points made in the text.

Mr. Chairman, the reality of intense international competition has shaken the American people's confidence in the capability of the U.S. economy to generate well-paid new jobs. An increasing number of public and private sector leaders are in one way or another talking of steps to try and protect industries from competition in order to preserve American jobs and maintain our standard of living.

It is our view, however, that such steps are likely to impede the nation's ability to reposition its industries and work force to compete successfully in an increasingly internationalized market.

If that were to happen, an even greater number of jobs would be lost and the nation's ability to deal with the social cost of change would be diminished. It is clear that the security of an unchanged world and workplace and employment relationship is no longer available and cannot be artificially sustained.

The answer I believe is in creating a new security based on equipping companies and workers alike to deal with and even gain from fast moving and unavoidable change. This CED study goes to the heart of the debate over economic change and that is the ability of people to benefit from change. It argues that the more severe effects on people and communities come not from change that moves too fast, but from change that is made to move too slowly.

The internationalization of markets presents increased competition, but also tremendous opportunity.

The issue of competitiveness is, therefore, a question of adapting in order to take advantage of the new opportunity. Likewise the issue of worker displacement should be put in the context of adjustment, of helping people move from old work that is being eliminated to new work that is being created. To be successful a labor market adjustment effort must address the hardships caused by change while recognizing the seeds of new opportunity created by economic restructuring.

With this context in mind, let me identify three broad areas of concern.

First, the manner in which American industry and its top executives manage their businesses has and is undergoing radical transformation as a direct result of new technologies and the internationalization of our economy. This calls for a major rethinking of all aspects of corporate practices from investment decisions to human resource policies.

Second, despite these challenges American manufacturing on the whole is holding its own in terms of share its of GNP and has maintained this share virtually unchanged since 1950. What has not grown is manufacturing's relative share of new jobs which is due in part to the welcomed development of increased productivity in manufacturing and in part to the unwelcomed development of shrinking markets, especially in durable goods industries such as steel and auto.

Higher productivity will mean that jobs and manufacturing will be more competitive, higher skilled and more challenging to the employees. It also means, however, that there are likely to be fewer of them.

Third, although higher productivity and sustained output in manufacturing make for good news, the fact is that a significant number of people continue to experience the permanent loss of a job. A sizeable number in this group are likely to have extreme difficulty finding new employment in jobs similar to those they have lost. The popular impression that the American manufacturing as a whole is in a permanent state of decline is in our judgment wrong. In reality, the sector is undergoing both growth and decline with some industries facing declines in both output and employment, others are increasing in both areas.

Still other industries are advancing in output but doing it with fewer people. This picture of differentiated effects helps explain why displacement is concentrated in some regions and industries and helps us identify the expanding opportunity in those manufacturing industries that are growing; electronic components, plastics, electrical and nonelectrical machinery.

This differentiation also helps us understand the obstacles faced by many displaced workers, those displaced from industries no longer increasing in employment are more likely to have to face the prospect of obtaining jobs in new or different industries, or occupations. Their successful adjustment in other words frequently depends on their ability to make major job changes. The most important test of any adjustment policy then should be whether it eases or impedes the transition to new opportunity.

As we set out to design policies in both the public and private sectors, we must not lose sight of the economy's vibrant strengths. First, the economy has demonstrated an extraordinary capacity for new job growth, adding 21 million new jobs between 1975 and 1985 and recording job gains during periods when most countries were losing employment.

Second, when we look at new job growth by occupation we see that the fastest growth across the board is occurring in both the better paying and higher skilled professional and managerial occupations.

Third, the U.S. economy is unique in its flexibility and adaptability. Americans have transitionally been willing to take chances, reach for new opportunities in order to build better lives for themselves and their children.

This American trait is what other countries are now seeking to emulate, recognizing that the successful players in today's volatile world markets are those that are positioned to respond quickly and I would add equitably. In the CED paper we proposed private sector adjustment policies which emphasize the flexible response to change. These policies encompass three main areas of private sector responsibility, communication, compensation, and benefits.

First and foremost, we believe that open communication about business realities must exist at all levels of the organization. The more people know about the competitive position of their businesses, the better prepared they will be to take advantage of the new opportunities, whether it is inside or outside the firm.

Employees should know as far in advance as is feasible any decisions affecting the condition of employment, be it advance notice of new technology, automation, plant closing or work transfer.

In the case of plant closings, advance notice should be provided on a voluntary basis. No one will disagree that large profitable companies that are in the position to provide notice should do so. In fact large companies are increasingly providing notice, usually as a requirement of contracts negotiated with their unions.

The problem of notice arises for those firms that are either unprofitable or operate in a high risk business environment. No amount of mandatory notice can change the realities of business failure. What it can do is decrease the flexibility that is vital to the small and medium size companies which are the major job generators in this economy.

Flexibility is critical to their success, the costs of failure have to be kept low or the incentive to start up again will be lost.

The fact of displacement requires all companies to examine a broad array of tradeoffs in order to develop policies that reflect the particular risks and strengths of their businesses.

The second area of private sector responsibility relates to compensation. The CED has proposed that compensation practices be linked to competitive success of the enterprise. Compensation, in other words, would increase or decrease depending on whether or not business achieved gains in cost savings, productivity or profitability.

The underlying philosophy is one of emphasizing the stake that all work force participants have in the success of their businesses. Under fixed compensation systems, employees were encouraged to view wage and benefit increases independently of business performance. Under present conditions, however, fixed compensation is actually a destabilizing influence because it fails to prepare workers for the type of rapid structural changes that are occurring and that directly affect employment.

Perhaps the most radical rethinking needs to be done in the area of employee benefits. Most benefit programs are oriented to career-long employment and therefore discourage mobility outside the firm. Many displaced workers therefore suffer an alarming loss of short- and long-term benefits, particularly if they lack tenure in the firm. Wherever possible adjustments should be made easier by providing larger severance payments, extended periods of uninterrupted health and life insurance coverage.

Other measures such as increased portability of pension benefits should also be examined.

Another way companies can provide greater job security and mobility is through training and retraining of their employees for new and higher-skilled jobs within the economy. American companies now spend an estimated $30 to $50 billion a year on formal training and this activity will continue to grow as new technology and heightened global competition increase the demand for new skills and knowledge.

The direct link to a new job within the company provides a powerful incentive to acquire these new skills and that is the chief reason why that kind of training is so effective.

In light of the rapidity of change that is taking place in the labor market, companies need to consider expanding their training programs to qualify workers for employment outside the firm. Preparing the work force for some other company's benefit has never had much appeal. Yet company training programs need to take into account the fact that in many industries, employment security may rest more on the development of transferable skills than on long-term service in one company.

Training programs and new work patterns emphasizing team work and pay for knowledge, broaden employee skills and enhance their mobility both within and outside the firm.

It is also important to note that jobs requiring a college education or post-secondary technical training head the list of fastest growing occupations in the next decade. A structural shift towards higher skilled jobs is taking place in both the manufacturing and services sector, suggesting that the traditional distinctions between sectors of the economy are becoming less important than what people actually do and whether they have the education and skills to help them move up the earnings ladder.

The CED paper also notes areas of responsibility that are distinctly public in nature. First among these is the responsibility to create and sustain the conditions for economic growth. All of our best efforts at adjustment will fail unless the conditions for growth are present. Towards this end, the CED continues to emphasize the importance of reducing the Federal budget deficit, which seriously threatens the sustained noninflationary growth and is the principal cause of our trade deficit.

The government also has responsibility for micro-economic policies affecting displaced workers. The CED study makes several recommendations about how to strengthen existing Federal programs for displaced workers. In particular, unemployment insurance at Title III of the Job Training Partnership Act.

We propose, for example, that incentives to reemployment be provided within the context of broad-based income support. The system could provide displaced workers with the option to continue to collect UI benefits if they suffer earnings losses upon reemployment. Their option will take the form of a temporary phased-in payment that will be chargeable under the current UI system to the old employer in lieu of regular UI benefits for a fixed period of time following the start of a new job.

The other Federal initiative which encompasses a variety of training and support services is Title III of JTPA. This gives the states the lead in designing innovative displaced worker programs that coordinate the efforts of both management and labor.

Many states and localities, however, need to be better prepared for quick and effective response to requests for Title III funds. Broader use, for example, could be made of rapid response team to identify potential plant closings and large layoffs. Labor Secretary Bill Brock's Special Task Force on Economic Adjustment and Worker Dislocation recently advocated just such a rapid response capability. This would focus on side intervention and focus on counseling, testing, basic education and on the job training that are most likely to result in high quality adjustment.

The final area of government responsibility is support for education. Much is currently being said about the need for educational reform to upgrade the quality of education in America. The CED's earlier policy statement on business and public schools recommends ways schools can better prepare students in the changing workplace and encourage bottom-up strategy, focused on the individual school with teachers and administrators, and the community it serves.

In summary, I think we all recognize that the U.S. economy is undergoing nothing short of wrenching changes in its markets as its markets internationalize and competition intensifies for more industries and firms.

The scope and intensity of these changes have led some to fear that America can simply no longer compete, that it is deindustrializing and as a result, millions of American workers are permanently displaced with no hope for reemployment except in the lowest paying jobs.

The reality as we see it is that the evidence presents a differentiated picture of growth and decline throughout the economy that is complex enough to sustain both the optimists and pessimists. Likewise the findings of the PLS surveys indicate that while a significant number of people are permanently displaced each year, an estimated $1 million per year or about half of 1 percent of the work force, since half experience great difficulty in finding new work, must go to find employment in a variety of occupations and industries that are new.

In short, the displaced worker problem is large enough and significant enough to deserve public and private sector attention, yet it is small enough to be manageable within a growing economy.

It is vital that we do not underestimate the tough competitive realities facing American companies. Yet neither must we underestimate the ability and determination of people to benefit from change.

In my opinion there is enormous disservice done by the perception that new work, the new work being created, is of little value other than that change should therefore be resisted.

This perception can lead only to policy paralysis. It fails to prepare Americans for the change that is bound to continue and it fails to motivate us to take advantage of the new opportunities to be found throughout the economy. I am convinced that the direction of change will be positive so long as we meet the dual challenges of competitiveness and adjustment.

It is for this reason that I stress to you the importance of policy based on flexibility, and adaptability, of economic policies focused on the cons needed to create opportunity and sustain growth, and of labor market policies focused on helping people make the transition from old work to new work.

How else build a bridge to the future unless we are confident of the opportunity on the other side.

Thank you very much, Mr. Chairman.

[The prepared statement of Frank P. Doyle follows:]

PREPARED STATEMENT OF FRANK P. DOYLE, SENIOR VICE PRESIDENT, GENERAL ELECTRIC CO.

MR. CHAIRMAN:

It is a pleasure to have this opportunity to meet with you today to discuss an issue which is of great importance to GE and to all American companies. I am approaching this issue today as Chairman of the Committee for Economic Development's Ad Hoc Task Force on Labor Market Adjustment, which has developed the report you have before you entitled Work and Change: Labor Market Policies in a Competitive World.

Before beginning, I would like to publicly thank the other members of the Committee who worked with me on this project. These are Don Guinn, CEO of Pacific Telesis; George Schaefer, CEO of Caterpillar; Frank Lindsay, Chairman of Vectron, Inc.; John Sagan, President of John Sagan Associates; Morris Tanenbaum, Vice Chairman of AT&T; Bruce Thomas, Vice Chairman of USX Corporation; Dean Phypers, Senior Vice President of IBM; and Jack Edman, Vice President of General Motors.

Mr. Chairman, the reality of intense international competition has shaken the American people's confidence in the capability of the U.S. economy to generate well-paid new jobs. An increasing number of public- and private-sector leaders are in one way or another talking of steps to try to protect industries from competition in order to preserve American jobs and maintain our standard of living.

It is our view, however, that such steps are likely to impede the nation's ability to reposition its industries and workforce to compete successfully in increasingly internationalized markets. If that were to happen, an even greater number of jobs would be lost, and the nation's ability to deal with the social costs of change would be diminished.

It is clear that the security of an unchanging world, workplace, and employment relationship is no longer available and cannot be artificially sustained. The answer I believe is in creating a new security, based on equipping companies and workers alike to deal with, even gain from, fast-moving and unavoidable change.

This CED study goes to the heart of the debate over economic change, and that is the ability of people to benefit from change. It argues that the more severe effects on people and communities come not from change that moves too fast, but from change that is made to move too slowly. The internationalization of markets presents increased competition, but also tremendous opportunity. The issue of competitiveness is therefore a question of adapting in order to take advantage of new opportunity.

Likewise, the issue of worker displacement should be put in the context of adjustment -- of helping people move from old work that is being eliminated to new work that is being created. To be successful, a labor market adjustment effort must address the hardships caused by change while recognizing the seeds of new opportunity created by economic restructuring.

With this context in mind, let me identify three broad areas of concern:

First, the manner in which American industry and its top executives manage their businesses has and is undergoing radical transformation as a direct result of new technologies and the internationalization of our economy. This calls for a major rethinking of all aspects of corporate practices, from investment decisions to human resource policies.

Second, despite these challenges, American manufacturing on the whole is holding its own in terms of share of GNP and has maintained this share, virtually unchanged, since 1950. What has not grown is manufacturing's relative share of new jobs, which is due in part to the welcome development of increased productivity in manufacturing and in part to the unwelcome development of shrinking markets, especially in durable goods industries, such as steel and auto. The manufacturing sector will continue to provide job opportunities for Americans, and higher productivity will mean that these jobs will be more competitive, higher skilled and more challenging to the employee. It also means, however, that there are likely to be fewer of them.

Third, although higher productivity and sustained output in manufacturing make for good news, the fact is that a significant number of people continue to experience the permanent loss of a job. A sizable number in this group are likely to have extreme difficulty finding new employment in jobs similar to those they have lost and will require targeted training and support services to help them move to new work.

The popular impression that American manufacturing as a whole is in a permanent state of decline is wrong. In reality the sector is undergoing both growth and decline. Some industries, in other words, are facing declines in both output and employment, while others are increasing in both areas. Still other industries are advancing in output, but doing so with fewer people. Overall, the manufacturing sector continues to be healthy in terms of output, but has not recovered its 1979 peak in employment and is unlikely to do so.

This picture of differentiated effects is critical to understanding the nature of job displacement, because it helps explain why displacement is concentrated in some regions and industries, and helps us identify the expanding opportunity in those manufacturing industries that are growing. (eg. electronic components, plastics, electrical and non-electrical machinery)

This differentiation also helps us to understand the obstacles to adjustment faced by many displaced workers. Those displaced from industries that are no longer increasing in employment are more likely to have to face the prospect of finding work in new or different industries or occupations. Their successful adjustment, in other words, frequently depends on their ability to make a major job change.

As a result, the most important test of any public or private sector adjustment effort should be whether it eases or impedes the transition to new opportunity; whether it establishes or denies supportive mechanisms for workers undergoing the often painful and costly move to a new job.

As we set out to design policies in both the public- and private sectors, we must not lose sight of the economy's vibrant strengths. First, the U.S. economy has demonstrated an extraordinary capacity for new job growth, adding 21 million new jobs between 1975 and 1985 and recording job gains during periods when most countries were losing employment. Second, when we look at new job growth by occupation, we see that the fastest growth across the board is occurring in both the better paying and higher skilled professional and managerial occupations.

Third, the U.S. economy is unique in its flexibility and adaptability. Americans have always sought new ideas and new solutions to changing market realities and have traditionally been willing to take chances and reach for new opportunities in order to build better lives for themselves and their children. This American trait is what other countries are now seeking to emulate, recognizing that the successful players in today's volatile world markets are those that are positioned to respond quickly, and I would add, equitably.

In the CED paper, we propose private sector adjustment policies which emphasize the flexible response to change. These policies encompass three main areas of private sector responsibility -- communication, compensation, and benefits.

First and foremost, we believe that open communication about business realities must exist at all levels of the organization. The more people know about the competitive position of their businesses, the better prepared they will be to take advantage of new opportunity, whether inside or outside the firm. Employees should know as far in advance as is feasible any decisions affecting the condition of employment, be it advance notice of new technology, automation, plant closing, or work transfer.

In the case of plant closings, advance notice should be provided on a voluntary basis. No one will disagree that large, profitable enterprises that are in the position to provide notice should do so. In fact, large companies are increasingly providing notice, usually as a requirement of contracts negotiated with their unions. The problem of notice arises for those firms that are either unprofitable or operate in high risk business environments. No amount of mandatory notice can change the reality of business failure. What it can do is decrease the flexibility that is vital to the small- and medium-sized companies which are the major job generators in our economy. Flexibility is critical to their success; the costs of failure have to be kept low or the incentive to start up again will be lost.

The fact of displacement requires all companies to examine a broader array of trade-offs to ensure flexibility in making necessary business decisions. The BRT has identified eight areas of responsibility regarding plant closings to help companies develop a tailored set of policies on notice, benefits, and support services based on the particular risks and strengths of their businesses.

The second area of private sector responsibility relates to compensation. The CED has proposed that compensation practices be linked to the competitive success of the enterprise. Compensation, in other words, would increase or decrease depending on whether or not the business achieved gains in cost savings, productivity, or profitability. Some firms have already adopted this approach with considerable success, both in higher overall compensation and greater job security for employees. (ex. Nucor)

The underlying philosophy is one of emphasizing the stake that all workplace participants have in the success of their businesses. Under fixed compensation systems, employees were encouraged to view wage and benefit increases independently of business performance. Fixed compensation was a stabilizing influence on workers' income as long as markets were growing and competition was limited to domestic producers. Under present conditions, however, fixed compensation is actually a destabilizing influence because it fails to prepare workers for the type of rapid, structural changes that are occurring and that directly affect employment.

Perhaps the most radical rethinking needs to be done in the third area of private sector responsibility, and that is employee benefits. Most benefit programs are currently oriented to career-long employment and therefore discourage mobility outside the firm. Many displaced workers, therefore, suffer an alarming loss of short- and long-term benefits, particularly if they lack tenure in the firm. Whenever possible, adjustment should be made easier by providing larger severance payments and extended periods of uninterrupted health and life insurance coverage. Other measures such as increased portability of pension benefits should also be examined.

Benefit practices are an important part of competitive strategy because they help to shape the expectations of workers regarding the quality and security of their present and future employment. The challenge now is to reorient our thinking about the design of benefit plans so that rather than being penalized, people are encouraged to make that next move with greater confidence.

Another way companies can provide greater job security and mobility is through training and retraining of their employees for new and higher skilled jobs within the company. American companies now spend an estimated $30 to $50 billion a year on formal training, and informal training has been estimated to run as high as $180 billion a year. This activity has continued to grow in recent years as new technology and heightened global competition increase the demand for new skills and knowledge. The direct link to a new job within the company provides a powerful incentive to acquire new skills, and is the chief reason why such training is so successful.

In light of the rapidity of changes taking place in the labor market, however, companies need to consider expanding their training programs to qualify workers for employment outside the firm. Accepting the responsibility to prepare workers for outside jobs will require a change in the way most companies view their investment strategy in human resources. Preparing a workforce for some other company's benefit has never had much appeal. Yet company training programs need to take into account the fact that in many industries, employment security may rest more on the development of transferable skills than on long-term service in one company. Training programs and new work patterns emphasizing work-share, teamwork, and pay-for-knowledge broaden employees' skills and enhance their mobility both within and outside the firm.

The Bureau of Labor Statistics (BLS) surveys of the adjustment experience of displaced workers document this link between education and mobility. The surveys show that educational attainment is a critical factor in shortening length of joblessness and improving earnings recovery upon reemployment. The surveys also reveal that about half of the displaced workers who subsequently became reemployed found jobs in wholly different industries and occupations. This data underscores the need for training to help workers make the transition into new industries or occupations.

It is also important to note that jobs requiring a college education or post-secondary technical training head the list of fastest growing occupations for the next decade. A structural shift toward higher skilled jobs is taking place in both the manufacturing and services sectors, suggesting that the traditional distinctions between sectors of the economy are becoming less important than what people actually do, and whether they have the education and skills to help them move up the earnings ladder.

The CED paper also notes areas of responsibility that are distinctly public in nature. First among these is the responsibility to create and sustain the conditions for economic growth. All of our best efforts at adjustment will fail unless the conditions for growth are present. Toward this end, the CED continues to emphasize the importance of reducing the federal budget deficit, which seriously threatens sustained noninflationary growth and is the principle cause of our trade deficit.

. The government also has responsibility for microeconomic policies affecting displaced workers, and the CED study makes several recommendations about how to strenthen existing federal programs for displaced workers, in particular Unemployment Insurance and Title III of the Job Training Partnership Act. We propose, for example, that incentives to reemployment be provided within the context of broad-based income support. The UI system could provide displaced workers the option to continue to collect UI benefits if they suffer earnings losses upon reemployment. This option might take the form of a temporary phased-in payment that would be chargeable under the current UI system to the old employer, and paid in lieu of regular UI benefits for a fixed period of time following the start of a new job.

The other federal initiative which encompasses a variety of training and support services is Title III of the Job Training Partnership Act. Title III gives the states the lead in designing innovative displaced worker programs that coordinate the efforts of both management and labor. Many states and localities, however, need to be better prepared for quick and effective response to requests for Title III funds. Broader use, for example, could be made of rapid response teams to identify potential plant closings and large layoffs.

Labor Secretary Bill Brock's special Task Force on Economic Adjustment and Worker Dislocation recently advocated just such a rapid response capability. This approach would emphasize early on-site intervention, more efficient coordination of assistance, and a focus on those services, such as testing, counseling, basic education, and on-the-job-training, that are most likely to result in high-quality adjustment.

The final area of government responsibility is its support for education. I have noted the importance of education at several points in my discussion and the issue is an extremely timely one, as much is currently being said about the need for educational reform and for upgrading the quality of education in America. The CED's earlier policy statement on Business and the Public Schools recommends numerous ways schools can better prepare students for the changing workplace, and encourages a "bottom-up" strategy focused on the individual school -- its students, teachers, and administrators -- and the community it serves.

I'd like to make one further comment about the educational demands caused by shifts in the labor market. The generally positive shift in the structure of occupations toward higher skilled, higher paying jobs will clearly benefit certain individuals, but will put others at a disadvantage. The two groups most at risk are older workers with low skills and educational levels who are displaced from high paying jobs, and young, poorly educated workers with little or no work force experience. In both cases education can be a significantly mitigating factor, although the challenges facing our nation's educational systems are great.

In summary, I think we all recognize that the U.S. economy is undergoing nothing short of wrenching changes as its markets internationalize and competition intensifies for more and more industries and firms. The scope and intensity of these changes have led some to fear that America can simply no longer compete, that it is deindustrializing, and that as a result millions of American workers are being permanently displaced with no hope for reemployment except in the lowest-paying jobs.

In reality, the evidence presents a differentiated picture of growth and decline throughout the economy that is complex enough to sustain both optimists and pessimists. Likewise, the findings of the BLS surveys indicate that while a significant number of people are permanently displaced each year -- an estimated 1 million per year, or about 1/2 of 1% of the workforce -- most go on to find new employment in a variety of occupations and industries. In short, the displaced worker problem is large enough and significant enough to deserve public- and private-sector attention, yet small enough to be manageable within a growing economy.

It is vital that we not underestimate the tough competitive realities facing American companies. Yet neither must we underestimate the ability and determination of people to benefit from change. In my opinion, there is an enormous disservice being done by the perception that new work being created is of little value and that change should therefore be resisted. This perception can lead only to policy paralysis. It fails to prepare Americans for the change that is bound to continue, and it fails to motivate us to take advantage of the new opportunities to be found throughout the economy.

I am convinced that the direction of change will be positive so long as we meet the dual challenges of competitiveness and adjustment.

It is for this reason that I stress to you the importance of policies based on flexibility and adaptability -- of economic policies focused on the conditions needed to create opportunity and sustain growth, and of labor market policies focused on helping people make the transition from old work to new work. For why else build a bridge to the future, unless we are confident of the opportunity on the other side?

Chairman HAWKINS. Thank you, Mr. Doyle.

The next witness is Mr. Rudolph Oswald, Director, Department of Economic Research, AFL-CIO.

Mr. OSWALD. Thank you, Mr. Chairman. I ask that my whole statement be made part of the record, and I would like to highlight some of the elements that we have in that statement.

Chairman HAWKINS. Without objection, so ordered.

Mr. OSWALD. Particularly I would like to commend you, Mr. Chairman, for holding these hearings because it does focus on the basic background of how this country can create a more competitive economy.

Also, on behalf of the AFL-CIO I want to thank you for your long, continuing leadership in related fields of education, training, unemployment, employment, and labor/management relations, all fields closely related to the productivity and competitiveness of American workers and the American economy.

We also endorse your bill, H.R. 90, the proposed Education and Training Act for American Competitiveness Act of 1987. This is one of the steps the Congress should take to enhance America's competitive position.

The action of your committee last year in approving an earlier version of the Education and Training for American Competitiveness Act was very constructive in helping to achieve House floor approval for a comprehensive trade bill, including that bill as one title.

I would like to touch a little bit about the trade crisis because that is really the single largest issue I think that faces the country today.

Last year the country had a $170 billion trade deficit and since 1979 this country has seen the disappearance of 2 million manufacturing jobs. In order to turn that around, Congress must effectively try and address the numerous factors that have contributed to this loss of competitiveness.

There is no one action alone that will solve this crisis. however, the trade bill passed by the House last year combined a number of approaches that clearly would have provided various new mechanisms to deal with this crisis.

Competing in international markets depends upon U.S. policies, as well as policies of foreign countries, and the response of the U.S. government to such foreign policies. The actions and policies of multinational corporations also affect decisions on the laws of production and investment.

Most foreign nations manage their economies and structure their trade flows to promote their own industries and economic development. Currencies are devalued, specific products and industries are subsidized, and a variety of actions are taken to regulate imports and exports. Many countries deny worker rights and protections and actively engage in predatory practices to enhance profits and competitiveness.

Over the last few years, the Administration has relied essentially on the depreciation of the dollar, the need for the country's major trading partners to pursue expansionary policies, a rhetorically tougher approach to foreign trade practices, and a new round of multilateral trade negotiations. But the trade crisis continues—actually it worsens. In his State of the Union address, President Reagan raised the issue of competitiveness, putting heavy emphasis on "increasing investment in human and intellectual capital."

However, when you look at his budget the budget does just the reverse. It substantially cuts funds for education. The President's trade proposals do nothing to substantially reduce the massive trade deficit.

This committee is aware of the employment problems this country faces. While there are 111 million workers at work today, there are 8 million unemployed and seeking work, another 1 million who are so discouraged that they have stopped looking for work, plus another 5 million workers who can only find part-time work when they are seeking full-time jobs.

That is some 14 million Americans who are suffering either total unemployment or partial unemployment.

The job gains that Mr. Doyle talked about are there, however, as one looks back over that same 10 years that he talked about we find that what has happened is that the labor force has grown faster than the number of new jobs, leaving us today with unemployment levels that previously would have always been called deep recession levels.

We still think that they are deep recession levels and much needs to be done. In terms of productivity, the largest single loss of production is the loss of unemployment. The people who are not working don't produce and don't add anything to this country's capability to be competitive with others. For those who are working this country still, according to the most recent statistics for 1985, show that American workers and industries are more productive than any other industrialized country in the world. Those figures show that the United States workers produce one-third more than their counterparts in Japan and the United Kingdom, a quarter more than Italian workers, and some 7 percent more than those in West Germany or France.

However, the issues do affect the questions of where we go in the future in terms of the ability to maintain that productive capability. A number of studies of where productivity comes from demonstrates the importance of training, of education, of the ability to be innovative, to use our human resources in order to be that country that grows faster and is more competitive than any others.

Certainly capital provides the ability of having the tools for production and infrastructure needed to support development. But clearly another important factor in productivity is the complementary activities of labor and management, where good labor-management relations are an important factor blending innovation, capital and work in achieving output and competitiveness.

Let me highlight the whole range of education elements that help prepare people for work. This committee has worked with the broad range of educational opportunities from those in the preschool, grammar school, high school, college and post-graduate activities.

The elements of local management, of education, they have been an important element but we have found that they need to be augmented by Federal help and leadership and that help and leadership has come from this committee through the years.

Educationally disadvantaged students from low and middle income families have gained from Chapter I programs of the Education Consolidation Improvement Act, and even more from the earlier Elementary and Secondary Education Act. These services should be available to every child who is eligible at the elementary school level rather than the only approximately 45 percent who are currently being served.

Similarly, Chapter I remedial services should be authorized for the secondary level so that those people don't drop out or become or remain illiterates at that level. Similarly funds to assist schools in desegregation must be maintained.

Vocational educational programs, dating back to the early part of this century prove that modest amounts of Federal funds can lead to programs that raise standards, expand opportunities for the disadvantaged and disabled, and encourage partnership with labor and management.

Clearly, we support continued Federal commitment to this leadership role and oppose wiping out of that Federal aid to that essential program.

Similarly we feel the aid for higher education allows those who otherwise would not be able to afford to participate in higher education are an essential element in preparing the labor force of the future for the demands of the workplace.

Those problems become even greater as we see that a larger proportion of tomorrow's youth are becoming increasingly single parent, low-income minority families. The poorest segment of today's population will be the workers of tomorrow when these young people enter the labor force and they will need something better than some of the service jobs that we have created in order for this country to be the productive leader of the world.

The AFL-CIO has also long supported human resource and productivity development through better retraining, upgrading, upward mobility for all workers, both employed and unemployed, including dislocated workers and low-wage workers. Jobless workers should have the opportunity for training and skills that lead directly to jobs. There should be better job placement through a strengthened, nationwide employment service, and a better matching of workers and jobs.

All these actions can help in the nation's competitiveness.

We believe that in terms of the advanced notice that Mr. Doyle talked about, that advanced notice in terms of plant shutdowns should be required of large corporations in order that workers and local communities can deal with those devastating consequences on a timely basis so they can plan for adjustment, so that the ability to set up the help can be done in a timely, effective manner.

A program also to better help dislocated workers needs to build on the current Title III dislocated worker program, and it should be in addition to and not a substitute for an effective trade adjustment program. That new program should include rapid response teams, more active participation for labor and management, national and state and local levels.

Unions have for a long time engaged in working often in partnership with industry, local governments, employers through collective bargaining to help workers address this job retraining action. Massive new programs have been started under recent collective bargaining agreements, for example, with the auto workers at GM, communications workers have similarly done that and the International Brotherhood of Electrical Workers have set up new programs in the telephone industry.

State, county, and municipal employees have extensive upgrading programs in New York City to allow them to be promoted and move up the ladder. Our International Ladies Garment Workers Union have extensive programs for teaching new immigrants the English language so that they can both achieve citizenship and participate more fully in our nation's needs.

Our building trades unions, metal trades unions, have expanded their apprenticeship program, have established upgrading programs so that the skills can be kept constant with the changing nature of the economy.

Our maritime unions have established extensive residential training facilities for new recruits as well as upgrading and promotion programs.

But we think that there are other things besides education that are within the prerogative of this committee that we think are important for competitiveness purposes. Such other elements, such as pay equity for women and other anti-discrimination, equal employment opportunity and affirmative action, they not only bring basic social objectives and basic justice, they also encourage workers to achieve their fullest probable productivity in the economy, and they encourage workers to employ workers up to their fullest potential.

Likewise, day care, parental life, and other family protection legislation will not only strengthen family life but also enable workers who are parents to participate in the economy more freely and fully without fear and anxiety about their shelter.

An updated minimum wage would assure that the earnings of workers at the bottom of the economic ladder will be brought back into line with the earnings of other Americans.

An important element also in competitiveness is good labor-management relations. Good labor management relations are achieved through building upon a solid collective bargaining base that allows workers to participate in the decisions that affect their workplace and the earnings from that work.

The democratic involvement of workers through their unions in collective bargaining and special new additional cooperative programs has raised the productivity of America's industries. Unfortunately, too often instead of labor management cooperation, instead of management acceptability of worker rights to organize and bargaining collectively, workers and their unions encounter active management hostility and union busting.

Such actions by employers are unconscionable. The nation's basic labor law promises to workers their right to organize and to bargain collectively with employers who are representatives of the workers' own choosing and without employer coercion, and without violations of workers' basic civil rights and human rights. We have to be sure that the promises are kept in practice and not just in word.

In conclusion, Mr. Chairman, the AFL-CIO will strongly support general constructive action to increase America's competitiveness by improving the nation's education, training, and employment and labor management relations. We think that H.R. 90 is one step that will help in aiding in that multi-faceted approach that must be taken in order to achieve true competitiveness by enhancing the human qualities that are the basic elements on which the long term productive capability of this country is built.

Thank you, Mr. Chairman.

[The prepared statement of Rudolph Oswald follows:]

Prepared Statement of Rudolph Oswald, Director, American Federation of Labor and Congress of Industrial Organizations to the House Education and Labor Committee

Mr. Chairman, I want to congratulate you for holding these hearings on the methods by which this nation can create a more competitive economy. Also, on behalf of the AFL-CIO, I want to thank you for your long continuing leadership in the related fields of education, training, employment, and labor-management relations — all fields which are closely related to the productivity and competitiveness of American workers and the American economy.

We endorse your bill H.R. 90, the proposed Education and Training for American Competitiveness Act of 1987 as one of the steps that Congress should take to enhance America's competitive position. The action of your Committee last year in approving an earlier version of the Education and Training for American Competitiveness Act, was very constructive in helping to achieve House floor approval for a comprehensive trade bill including that bill as one title.

The Trade Crisis and Competitiveness

The trade crisis, exemplified by last year's trade deficit of $170 billion, and the disappearance of 2 million manufacturing jobs in the past 8 years, calls for effective action by the Congress to try and address the numerous factors that have contributed to this "loss of competitiveness." There is no one action alone that will solve this crisis. However the trade bill passed by the House last year combined a number of approaches that clearly would have provided various new mechanisms to deal with this crisis.

Competing in international markets depends upon U.S. policies, as well as policies of foreign countries, and the response of the U.S. government to such foreign policies. The actions and policies of multi-national corporations also affect decisions on the laws of production and investment.

Most foreign nations manage their economies and structure their trade flows to promote their own industries and economic development. Currencies are devalued, specific products and industries are subsidized, and a variety of actions are taken to regulate imports and exports. Many countries deny worker rights and protections and actively engage in predatory practices to enhance profits and "competitiveness."

Over the last few years, the Administration has relied essentially on the depreciation of the dollar, the need for the country's major trading partners to pursue expansionary policies, a rhetorically tougher approach to foreign trade practices, and a new round of multilateral trade negotiations. But the trade crisis continues. In his State of the Union address, President Reagan raised the issue of competitiveness, putting heavy emphasis on "increasing investment in human and intellectual capital."

However his budget does just the reverse. It substantially cuts funds for education. The President's trade proposals do nothing to substantially reduce the massive trade deficit.

The Job and Income Crisis

The trade crisis has contributed substantially to the job and income crisis facing the nation. I'd like to cite a few statistics:

There are 111 million Americans at work today, but

-- 8 million are unemployed and seeking work;

-- 1 million discouraged workers have stopped looking for jobs;

-- 5 million Americans are working only part-time because no full-time jobs are available.

That's at least 14 million Americans suffering unemployment and underemployment.

The number of jobs has grown by 11.3 million in the past six years, but before that jobs grew 10.5 million in just four years.

The workforce has grown by 11.7 million in the past six years, but only 11.3 million jobs were created.

A comparison by decades tells the unemployment story:

-- 3 million were unemployed in the average month in the 1950s and that went to

-- 3.5 million in the 1960s;

-- 5.8 million in the 1970s; and

-- 8.2 million in the 1980s.

And the unemployment rates went from

-- 4.5 percent in the 1950s, to

-- 4.8 percent in the 1960s;

-- 6.2 percent in the 1970s; and

-- 8 percent in the 1980s.

And even with the drop in unemployment reported for December and January, unemployment has been stuck around 7 percent for the last 30 months -- resulting in 7 years of unemployment at recession levels.

In each year since 1980, more than 20 million Americans have suffered from unemployment at some time during the year.

Two million jobs have been lost in manufacturing since 1979 in a wave of plant closings and mass layoffs while the country refused to adopt a realistic, coherent trade policy.

By contrast, jobs in low-wage service-producing industries have increased by 10 million since 1979.

A recent report for the Joint Economic Committee by Barry Bluestone and Bennett Harrison shows that jobs added to the economy between 1979 and 1984 were disproportionately at the low end of the wage and salary scale -- 6 out of 10 were below $7,000 a year in 1984 dollars. The report notes that 97 percent of the job gains among white men were in this low wage category -- so we know the problem of low wages is not limited to women and minority workers. In fact, minority men and women are suffering from a renewed trend toward low wages which reverses the trend toward higher wages for minority men in the 1970s.

The de-industrialization of America with plant shutdowns and mass layoffs is the result in large part of massive import penetration and massive trade deficits and an unregulated wave of corporate take-overs and corporate mergers which are eliminating many jobs that have been the foundation of America's solid, middle-income, middle-class society.

The Labor Department has made two studies of displaced workers whose jobs were abolished or plants shut down since 1979. They found about 11 million workers lost their jobs in each of two five-year periods.

Fifty percent of the lost jobs were in basic manufacturing -- primary metals, transportation equipment, and machinery.

Two-thirds of the job losers were blue-collar workers and one-third were white-collar workers.

One-third of the displaced workers were unemployed or out of the labor force at the end of the second five-year period.

The average real earnings loss for displaced workers who subsequently found a job was 10 to 15 percent -- but 30 percent of the re-employed blue-collar workers and 24 percent of the re-employed white-collar workers had earnings losses of 25 percent or more.

This adds to the accumulating evidence that the shift of jobs from goods production to service and sales jobs is leading to fewer middle income jobs and more low wage jobs.

Average earnings in manufacturing are over $400 a week. But in the areas where the most jobs are created, in the service sector, average earnings are much lower -- $177 a week in retail trade, $269 a week in the service industry.

There are more than 15 million workers in America who are paid at or around the federal minimum wage of $3.35 an hour -- far below the $5.30 an hour necessary for a wage earner to lift a family of four out of poverty.

And the minimum wage law has not changed in six years even though the cost of living has increased 25 percent, reducing the real value of the $3.35 minimum to $2.50.

To this country's shame, only one-third of unemployed workers are getting unemployment insurance payments.

America's middle class is suffering also with a drop in family buying power.

Median annual income for all American families -- measured in dollars of constant buying power -- dropped 4.5 percent from 1979 to 1985 -- from $29,029 in 1979 to $27,735 in 1985. The loss of family income would have been far bigger if there had not been a big increase in the proportion of two-earner families since 1980.

The country is moving toward a split-level economy with more high-pay, high-skill jobs for a few executives, scientists, engineers, professionals, and managers at the top -- with more low-pay, low-skill, part-time, temporary, high-turnover jobs at the bottom -- but a smaller and smaller share of middle-level, good-pay, permanent, full-time jobs, the kind of jobs that offer hope and opportunity and entry into the middle-class mainstream of American life.

U.S. Productiveness

Workers in this country produce more goods and services per employee or per hour than workers in any other major industrialized country in the world. American workers and industries in 1985 were one-third more productive than their counterparts in Japan and the United Kingdom and one-quarter more productive than Italian workers, according to Bureau of Labor Statistics data on production per employee in 1985. Productivity levels in West Germany and France came closest to those in the United States but still lagged by 7 percent.

Recent estimates of manufacturing productivity in output per hour show the United States leading Great Britain by 100 percent, Canada by one-third, Germany by one-quarter, and Japan by 9 percent.

The 1987 report of the President's Council of Economic Advisors comes to the conclusion that "the deterioration of international cost competitiveness in U.S. manufacturing during the first half of this decade was the result of the real appreciation of the dollar, not sagging productivity growth or excessive wage increases."

However, even if international trade and international exchange rate problems of the United States were to be solved overnight, America's productive position would still depend heavily upon human and capital resources.

Various studies of American economic growth demonstrate the importance of education and training in contributing to productivity and innovation.

The nation's productivity and competitiveness depends first and foremost on the quality of America's workforce. It is the people of the United States who are the foundation and the source of economic achievement and future progress.

The knowledge and experience, the education and training, the know-how and know-why of American workers are key factors in explaining productivity and competitiveness.

The social and political traditions of the nation's democratic society, the freedom and flexibility of its diverse, pluralistic society, and the institutions of free trade unions and collective bargaining are also essential ingredients in the national pursuit of higher productivity and a greater degree of competitiveness in the world economy.

Clearly capital plays a key role in econmic growth and productivity. Capital provides the tools for production, and the infrastructure needed to support development.

Another important factor in productivity is the complementary activities of labor and management. Good labor-management relations are an important factor in blending together innovation, capital, and work in achieving improved output and competitiveness.

Because of this committee's jurisdiction, I would like to address issues dealing with education, training, employment and labor that play a role in enhancing the nation's competitiveness

Education

From its earliest days, organized labor has been in the forefront of the effort to establish and expand educational opportunities for workers and their families. The best possible public education should be available for all who seek it to the limit of their potential for achievement. This country should have an educational system that will extend the promise of a democratic society to all citizens and provide the nation with an educated and skilled work force for its enrichment and defense. Therefore, labor has championed the establishment of a universal public school system. We have advocated compulsory schooling, quality vocational training, English classes for new immigrants, rigorous curriculum in the classrooms, recognition of the dignity of teachers through organization and just wages, federal aid for elementary and secondary education, and federal financial aid for higher education. Investment in education is investment in human capital. Thus, education has to be a priority.

While more needs to be done, America has made considerable progress in educational achievement. In 1900, ten percent of the U.S. young people graduated from high school; today, 74 percent graduate. In 1970, one of seven workers had a college degree; in 1986, one of four workers has a college degree. These results would not have been possible without government programs -- Head Start, Chapter I, TRIO, Pell Grants Guaranteed Student Loans and other programs that expand academic and cultural standards.

We compliment the Congress for supporting these targeted programs, and we urge continued support. The essential local management of education must be augmented by federal help and leadership. Educationally disadvantaged students from low and middle income families have gained from the Chapter I programs of the Education, Consolidation and Improvement Act (ECIA) and even more from the earlier Elementary and Secondary Education Act (ESEA). These services should be available to every child who is eligible at the elementary school level rather than the approximately 45 percent currently receiving benefits. Chapter I remedial services at the secondary level should be authorized. Similarly, funds to assist schools in desegregation must be maintained.

The vocational education program proves modest amounts of federal funds can lead to programs that raise standards, expand opportunities for the disadvantaged and disabled and encourage partnerships with labor and business.

The AFL-CIO supports a continued federal commitment to a leadership role in vocational education and opposes the proposed phaseout of funds.

In terms of higher education, we urge Congress to seek ways to improve on the grant/loan-work package of the 1960s and 1970s -- and we urge you to oppose Reagan Administration proposals which would leave college students even more deep in debt when they graduate. Expansion is needed in programs that provide work and education such as cooperative education, work-study, Perkins Scholarships, and maintain in-school subsidy for guaranteed student loans with modest interest rates if higher education is not to be limited only to the very wealthy. Pell Grants and guaranteed student loans have in the past opened the doors of higher education to low and middle income families and to increasing numbers of minorities. These grants should not be sacrificed to the Administration's pilot program which has escalating interest rates and already has been found wanting even by the people who are expected to provide the loans. The President of the Consumer Bankers Association, whose membership provides more than 80 percent of total student loans in the United States, termed the Administration proposals wholly unacceptable and predicted that few if any lenders will participate.

The nation must prevent higher education costs from restricting opportunity. Tomorrow's youth will come increasingly from single-parent, low-income, minority families. The poorest segment of today's population will be the workers of tomorrow. When these young people enter the labor force, they will need something better than the pay levels of the service jobs being created today.

Worker Training

The AFL-CIO has long supported human resource and productivity development through more and better education, training, retraining, upgrading, and upward mobility oportunities for all workers, both employed and unemployed, including dislocated workers and low-wage workers. Jobless workers should have the opportunity for training in skills that lead directly to jobs. There should be better job placement through a strengthened nation-wide Employment Service and better matching of workers and jobs. All these efforts can add to the nation's competitiveness.

The task force appointed by the Secretary of Labor to study the problem of plant closings and worker adjustment, in its January 1987 report, declared that adequate advance notice is essential for successful adjustment programs and the task force declared that serious problems of worker adjustment and local community adjustment now occur because corporate management rarely gives adequate advance notice.

The federal government has a responsibility to protect U.S. workers and local communities against the devastating consequences of plant shutdowns and mass layoffs. In order to adequately plan for adjustment, corporations must be required to provide adequate notice of corporate intentions to close a facility and provide other protections for workers and local communities, including active and fully financed labor market programs, with job training and adequate income support. Such a program must build on the Current Title III Displaced Worker program, and in addition to, and not a substitute for, an effective Trade Adjustment program. The new program should involve more active participation by labor and management at the national, state, and local level.

Union-Education and Retraining Efforts

The Education and Training for American Competitiveness Act 1987 is a welcome proposal that builds upon existing proven programs, and expands them to more effectively deal with today's problems in literacy training, vocational education, and math, science and foreign language training. The new trade-impacted worker assistance provision would provide needed income for workers while undergoing retraining, but are currently not receiving either Unemployment Insurance or Trade Adjustment Assistance.

Unions have been working in partnership with industry, local government, often through collective bargaining to address many of these education and retraining problems:

1. The United Auto Workers/Ford Motor Company Employees Development and Training Program and a similar joint program of the UAW at GM, established in 1982 offer training, retraining and developmental opportunities for active and displaced UAW-represented employees. The programs have a national framework but are essentially a local undertaking. Basic skills, counseling and job search techniques are offered in-plant, and the program can take the UAW member into college classes.

2. Training and Education provisions of 1986 contracts of the Communications Workers of America and the International Brotherhood of Electrical Workers in the telephone industry deal primarily with off-hours personal and career development training. The CWA/AT&T program will be administered by a new non-profit corporation, the Alliance for Employees Growth and Development. It will provide career counseling, and retraining from accredited colleges and schools to active and laid-off workers. CWA and Pacific Telesis have a similar program coordinated through California's extensive community college network.

3. AFSCME District Council 37 and the City of New York offer adult literacy, basic education, high school equivalency and career training programs. More than 1000 are currently enrolled.

4. The International Ladies Garment Workers' Union (ILGWU), with four other AFL-CIO local unions in New York City, run a worker-family education program for learning English as a second language. The 35-week program is run cooperatively with the State Education Department and the New York City Board of Education. Almost 800 students have enrolled.

5. Most of the building trades unions and many of the metal trades, and printing trades unions run extensive apprenticeship and upgrading programs. These programs not only provide the basic skills for craftsmen, but also keep those skills up-to-date. These programs are usually jointly developed with management.

6. Various maritime unions have established extensive residential training facilities for new recruits, as well as for upgrading and promotion opportunities.

These are but a few examples of the ways unions are working cooperatively with new strategies aimed at fulfilling their traditional goal -- extending the opportunity for education for all who need it. They may be models from which others can learn as collective bargaining cooperation tailors solutions to specific needs. Organized labor's historic commitment to expand educational opportunities will be even more important in the new work place and the new technologies of the future.

The experience of the United Auto Workers with General Motors and Ford on jointly developed education-training-retraining programs, and the experience of other unions working jointly with management on education and training and dislocation-avoiding or dislocation-reducing programs suggests that there is a vast and only partially tapped opportunity for constructive labor-management cooperation on productivity-raising training.

Such training is useful and beneficial to workers and employers in raising productivity and enhancing competitiveness. It also provides invaluable assistance to workers who face displacement and dislocation.

Labor Programs to Enhance Competitveness

Let me note that there are other actions -- in addition to education and training -- which contribute to the nation's productivity and competitiveness.

Pay equity for women, and other anti-discrimination, equal employment opportunity, and affirmative action not only have basic social justice objectives but they also encourage workers to achieve thier fullest possible productivity in the economy and they encourage employers to employ workers up to their fullest potential.

Likewise day care, parental leave, and other family protection legislation will not only strengthen family life but also enable workers who are parents to participate in the economy more freely and fully, without fear and anxiety about their children.

An updated minimum wage would assure that the earnings of workers at the bottom of the economic ladder will be brought back into line with the earnings of other Americans.

Labor-Management Cooperation

An important element in competitiveness is good labor-management relations. Good labor-management relations are achieved through building upon a solid collective bargaining base that allows workers to participate in the decisions that affect their work, work-place, and return for their work. The democratic involvement of workers through their unions in collective bargaining and in special additional new cooperative programs has raised the productivity of America's industries.

Unfortunately, too often, instead of labor-management cooperation, instead of management acceptance of workers' right to organize and bargain collectively, workers and their unions encounter active management hostility and union-busting.

Such actions by employers are unconscionable. The nation's basic labor law promises to workers the right to organize and to bargain collectively with employers through representatives of the workers' own choosing without employer coercion and without violation of workers' basic civil liberties and human rights.

Too often workers' rights are violated directly by management in collusion with sophisticated, expensive, union-busting consultants. And too often workers' rights are violated indirectly, as for example, by "double-breasting" contractors who set up low-wage, non-union companies to compete with their own unionized operations.

Conclusion

The AFL-CIO will strongly support genuine, constructive action to increase America's competitiveness by improving the nation's education, training, employment, and labor-management relations.

The provisions of H.R. 90 plus the other elements included in last year's House passed Trade bill (H.R. 4800) would be major steps to help make America more competitive.

Thank you, Mr. Chairman.

Attachments:

AFL-CIO Reviews the Issues: Report No. 9, Competing in the International Markets.

AFL-CIO Reviews the Issues: Report No. 10, Trade Job Loss: 2.5 Million.

Reviews the Issues: AFL-CIO Report No. 9

COMPETING IN INTERNATIONAL MARKETS

JAN. 1987

The competitiveness of American industry is a major factor in the jobs and incomes of the American people. A failing firm or declining industry has repercussions far beyond the impact on the workers directly affected. Communities need the taxes paid by industry, and the lost purchasing power of unemployed workers ripples through the economy as other businesses and workers see the demand for their products and services shrink.

Most nations manage their economies and structure their trade flows to promote their own industries and economic development. Currencies are devalued, specific products and industries are subsidized, and a variety of actions are taken to regulate imports and exports. Many countries deny worker rights and protections and actively engage in predatory practices to enhance profits and "competitiveness."

U.S. economic policymakers, by and large, reject the notion that the government has a positive and necessary role to play in adjusting to the realities of international trade in order to promote the growth of domestic production and employment.

The competitiveness of one American company with another depends on factors such as the price, quality, availability, and perceived attractiveness of products. Prices are based on costs such as wages, depreciation, interest, transportation and materials as well as profit considerations. Productivity improvements can reduce costs and expand output. Styling and marketing techniques sway consumers in their purchase of many products. A critical factor is the distribution network for the product. Reaching customers is important, as is convincing them that the product will be serviced.

But American companies are often no longer American companies, but multinational corportations that locate and operate almost anywhere in the world.

The Multinational Corporation

The unrestrained, self-directed actions of U.S. based multinational corporations have adversely affected America's competitive position in world trade. A large share of exports and imports are intra-corporate transactions, taking place within the structure of international firms. Multinational corporations, in 1983, received 46 percent of all U.S. imports with one-third of their imports shipped by their own affiliates in foreign countries.

Corporations shift the production of goods out of the United States to take advantage of policies of other nations affecting wages and working conditions, labor standards, taxes, and changes in currency values. And they actively seek to shape the national policies that affect them. They can shift U.S. technology and production know-how quickly erasing the technological advantage of the United States in producing goods.

American multinational companies' employees in other nations now account for 6.6 million or 26 percent of the total; and in manufacturing, foreign employment accounts for 4.3 million or 31 percent of the employment of U.S. multinational manufacturing corporations.

U.S. trade policy must take into account the activities of multinational corporations in shifting plants, employment and technology out of the United States and the resultant weakening of the U.S. economy.

Effect of Exchange Rates

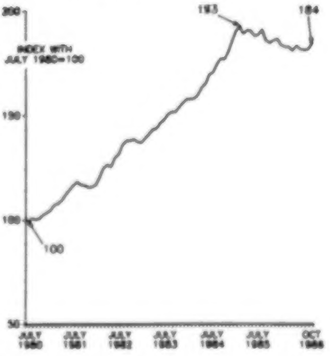
When comparing products between nations, the competitive position can change dramatically when currencies must be exchanged to complete the transaction. A Japanese product, for example, has an American price only after the exchange value of the dollar and yen are determined. Thus, the cost of foreign goods in dollars is not determined solely by the cost or efficiency of production in the U.S. and foreign nations, but by the number of yen, marks, or francs that can be purchased by a dollar. When the value of the dollar goes up as it has in the 1980s, it's much easier for foreign businessmen to sell in U.S. markets and U.S. exports become more expensive to foreign buyers.

The steep rise in the value of the dollar in recent years has dealt a severe blow to U.S. exports and helped flood the country with imports. From July 1980 to March 1985, the dollar rose 93 percent against the average value of currencies of 131 trading partners. It has since fallen only slightly and is currently about 84 percent above the July 1980 level. In other words, a U.S. manufacturer "competitive" with imports in July 1980 might find its goods 84 percent more expensive in late 1986 as a result of the rise in the value of the dollar.

The exchange rate has been volatile against some major currencies falling sharply after a sharp rise. The dollar rose 42 percent against the yen from October 1978 to February 1985, and the dollar rose 91 percent against the mark from January 1980 to February 1985. From February 1985 to October 1986, the dollar dropped 60 percent against the yen and the mark.

Although the value of the dollar is still much too high on average, Data Resources Incorporated, an economic consulting service, estimates that the recent fall in the dollar against the mark and the yen has given the U.S. a manufacturing cost advantage with Germany and put U.S. manufacturing costs on a par with Japan. However, the U.S. continues to have substantial trade deficits with both nations.

There are also a number of countries whose currencies do not fluctuate because they hold their currencies at an artificial value in terms of the dollar. These include South Korea, Taiwan, Singapore and Hong Kong.


THE VALUE OF THE DOLLAR HAS DECLINED ONLY SLIGHTLY AFTER AN ENORMOUS RISE

SOURCE: FEDERAL RESERVE BANK OF DALLAS

A government can keep its currency low by offering to exchange it for foreign currencies at a value that will make its exports cheaper for foreigners to buy. The exchange rate will also be affected by the policies a country has toward the inflow and outflow of foreign investment funds. Countries that regulate the inflow and outflow of funds are in a position to use this means to alter the value of their currency.

What Caused the Rise in the Dollar's Value?

The sharp rise in the value of the dollar after 1980 was triggered by a large influx into the United States of money from foreign investors wanting to take advantage of high U.S. interest rates. Interest rates in the United States went up sharply in the late 70s and early 80s as the Federal Reserve Board tightened credit and raised interest rates to compensate for the Reagan Administration's tax cuts and to slow the economy in order to fight inflation. The tight credit and high interest rates were the major factor in producing the deep recession which began in 1981. Another cause of high interest rates is the huge federal budget deficit. The budget deficit was caused primarily by the misguided tax cuts of 1981, the sharp rise in defense spending, and the effects of recession in slowing the growth of tax receipts. The increase in federal borrowing to cover the deficit has put a heavy drain on the nation's savings and kept upward pressure on interest rates and the value of the dollar.

U.S. trade has also been hurt by the debt problems of developing nations. The International Monetary Fund has required Latin American nations in particular to reduce their imports and increase exports in order to earn the foreign exchange to service their debts.

The misguided economic policy which led to the high value of the dollar was pursued with little apparent regard for the effect on the value of the dollar and on U.S. competitiveness. Most nations recognize the trade advantage that the exchange rate can give them, and consciously try to keep the value of their currency low.

What is the Correct Exchange Rate for the Dollar?

The value of any nation's currency should in theory tend toward a value that would equalize the value of imports and exports and help protect the nation from job losses and general economic damage from excessive trade deficits. For example, if consumers in the United States wanted to buy more foreign goods, the value of the dollar should fall as dollars are offered for the foreign currency needed to purchase foreign goods and, as the dollar falls, fewer and fewer goods could be purchased. A fall in the value of the dollar would make U.S. goods cheaper and more should be sold, and the purchase of more U.S. goods by foreigners would cancel out the adverse effects of any increase in imports.

Under the same principle, a low-wage country should not be able to produce all of the goods for a high-wage country. If a country, such as Korea, wanted only to sell goods to the United States but holds back U.S. exports, Korea would have "too many" dollars. The dollar should drop in value in terms of the Korean currency raising the price of Korean goods and curbing their sale.

It is this theoretical tendency for imports and exports to balance under ideal circumstances that is the basis for economists' belief that every nation can compete and gain even though overall costs -- including wages -- might be high. In practice, however, this is not the case. The fact that nations manipulate exchange rates and trade flows means that the United States must take positive steps to keep exchange rates in line in order to reduce trade deficits and prevent job losses due to unfair trade practices.

How Can High-Wage Nations Gain from Trade?

Exchange rates will, according to theory, adjust automatically to strike a competitive balance between imports and exports -- if all trade took place on a fair basis with no constraints, political or economic, and resources, including labor, were fully employed. If exchange rates performed as they were supposed to and prevented trade deficits, a country's overall wage level would not determine whether it will have a competitive advantage in trade. A deficit would automatically call for a fall in the value of the dollar.

A number of problems make it impossible to rely on exchange rates and market forces to balance trade. Nations try to gain trade advantages by manipulating exchange rates and trade flows. Trade barriers are set up, industries are subsidized, and monetary and fiscal policies are managed to provide advantages which will raise employment and incomes. Any nation that is passive in this environment stands to lose jobs and incomes to other countries.

The actions of underdeveloped nations, with high unemployment and scarce manufacturing plants, machinery, and equipment, present an additional problem of rationalizing the trade theorists' ideal world and present day realities. These countries are anxious to attract manufacturing facilities and jobs from more advanced countries. They commonly offer tax breaks, market protections, low wages, and other "incentives" for multi-national companies to move production facilities out of the United States. The low wages in the "host" countries generate little consumer purchasing power and result in a lower demand for goods in general. Ironically, the low-consumer demand in the host country often means a vicious cycle of production that competes with other American firms in markets at home and in developed countries. Low-wage competition is frequently perpetuated by authoritarian and totalitarian governments in many underdeveloped countries and trade unions operate under various degrees of constraint or repression.

Subsidies

Subsidies to an industry or to exported products enable a country to lower the product's price and give it an advantage in trade. Common subsidies are tax breaks or lower interest rates for certain industries or firms.

If industries have pretty much equal access to investor funds, a nation's industries should have the same relative level of development in terms of the machinery and technology used to produce goods. This would include the service industries, housing and government infrastructure, as well as goods traded between nations.

A nation that is willing to shortchange some sectors, such as government services or housing and favor certain industries, can gain a competitive trade advantage in particular products. Industries usually favored are high value industries which are essential for a modern economy such as steel, automobiles, machinery, and high tech industries.

Trade Barriers

Nations that favor certain industries to give them a competitive advantage often protect their less favored industries with trade barriers. In this way, a nation can select those goods that will be exported and those that will be imported. Goods generally favored for import are raw materials and other goods that cannot be produced at home.

The import of some goods may be allowed only until the domestic capacity for such production is developed. In the case of housing and government infrastructure, the lack of development caused by policies heavily favoring export industries often means austere living conditions for a nation's population.

The protected home market also allows firms to sell at a higher price in the home market than it charges in the U.S. market. This allows it to undercut competition in the United States while maintaining its own financial strength. This predatory pricing called "dumping" violates U.S. law and international agreements. But proving that such violations occur is very difficult, and even if proven, the remedies in the United States are cumbersome and inadequate. Often, by the time dumping cases are resolved in the United States, the company is out of business or has suffered an irrevocable loss of its market share.

Countries fear the import of foreign goods that compete with their export industries, even if the foreign goods have higher prices. In many foreign countries, people are fond of American styles, and might buy significant quantities of American goods even if they cost more than the same kind of products produced in their country. The importation of such goods is often blocked to prevent them from taking a sizable share of the home market and reducing the growth of domestic industries.

Trade barriers also include practices which force producers to sell their technology or to build plants in the foreign country. U.S. companies are often required to build foreign plants and employ local residents as a condition of access to foreign markets even though it would be more profitable for the company to remain at home and export. An added danger to U.S. jobs is that, once built, the new plant may be required to export back to the United States.

Countries may also restrain the distribution of certain foreign goods. In many cases, wholesalers and retailers are discouraged from carrying foreign goods and unreasonable or discriminatory standards are utilized to restrict imports.

Summary

Much of the economic decline in U.S. goods producing industries and the huge trade deficit is caused by misguided economic policies and the failure to deal appropriately with the realities of international trade and investment and not a sudden or chronic loss of U.S. competitive ability. This Administration refuses to face the fact that free trade exists only as an empty slogan and a theoretical abstraction. Other nations manipulate product prices and exchange rates and erect trade barriers in order to promote and protect their workers, industries, and communities.

Prepared by Bill Cunningham
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AFL-CIO Reviews the Issues: Report No. 10

TRADE JOB LOSS: 2.5 MILLION

December 1986

The enormous trade deficit is a key element in the nation's recession levels of unemployment. The trade imbalance cost the United States about 2.5 million jobs in 1986. Saving those two and one-half million jobs would have reduced the unemployment rate from its 7.0 percent range down to 5.0 percent — well on the way to the four percent target mandated by the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978.

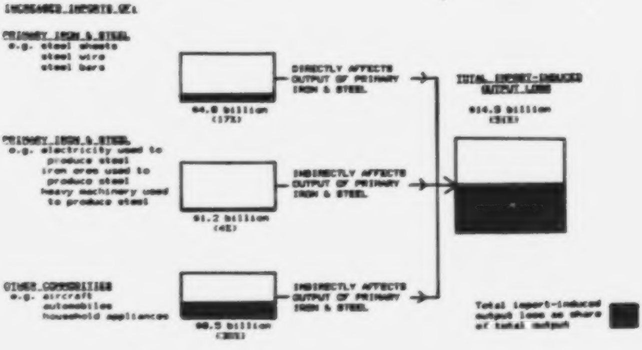
More important than the precise number of job losses, however, is the massive economic upheaval and the individual human suffering such losses represent, and the ominous implications for the future as U.S. living standards fall.

Trade's Widespread Repercussions

In January 1986, the Commerce Department published a detailed evaluation of the impact of trade on employment based on the experience in 1984. The analysis pointed out that the trade-employment linkage includes not only the direct effects of exports and imports on jobs in a specific industry, but also many indirect effects that reverberate throughout the economy.

International trade and domestic steel production, for example, are interrelated in numerous ways. (See Fig. 1.) The huge quantities of foreign steel brought into the United States have devastated output and employment in the nation's steel industry. Many of the cutbacks have been the direct result of

Fig. 1 IRON AND STEEL OUTPUT LOST FROM IMPORTS, 1984


INCREASED IMPORTS OF:
PRIMARY IRON & STEEL
e.g. steel sheets
steel wire
steel bars
PRIMARY IRON & STEEL
e.g. electricity used to produce steel
iron ores used to produce steel
heavy machinery used to produce steel
OTHER COMMODITIES
e.g. aircraft
automobiles
household appliances
$4.8 billion (17%)
$1.2 billion (4%)
$8.5 billion (30%)
DIRECTLY AFFECTS OUTPUT OF PRIMARY IRON & STEEL
INDIRECTLY AFFECTS OUTPUT OF PRIMARY IRON & STEEL
INDIRECTLY AFFECTS OUTPUT OF PRIMARY IRON & STEEL
TOTAL IMPORT-INDUCED OUTPUT LOSS
$14.5 billion (51%)
Total import-induced output loss as share of total output

imports. Imported steel sheets, bars, wire and so forth have directly displaced production and jobs that would have arisen in the United States absent such imports.

But trade and steel are tied together in many other ways as well. For example, such products as automobiles, trucks, and appliances require considerable amounts of steel in their manufacture, and the massive importation of these, and other goods containing foreign steel, have displaced U.S. production and jobs. Thus, many non-steel imports have had sizeable indirect effects on the domestic steel industry.

In addition, as the domestic steel industry cuts back, the industry sharply reduces its purchases from suppliers, who in turn curtail their purchases of steel and of products made from steel. When the steel industry purchases less coal, for example, the coal industry will in turn require less equipment embodying steel, and the railroad industry will ultimately purchase a lower quantity of rolling stock and rails because of diminished coal shipments.

To be comprehensive, estimates of the influence of trade imbalances on unemployment must take into account these complex interrelationships. Several organizations, both public and private, have studied these relationships and traced the myriad interconnections involving trade, output, and employment among industries. The implications of trade at the state level have also been explored.

Such investigations uniformly demonstrate that the nation's terrible trade deficit has had devastating effects on employment and production in this country, and that manufacturing industries and the regions dependent on manufacturing have suffered the most.

Total Jobs Lost due to Trade

The United States racked up a $123 billion deficit on its trade in merchandise in 1984. As a result, employment was between 1.3 percent and 2.7 percent lower than it would have been if trade were balanced, according to the Commerce Department analysis. This represents between 1.1 and 2.4 million jobs in 1984.

To estimate the employment changes associated with trade in 1984, the Commerce Department used three different approaches. The lowest estimate (a 1984 loss of 1.1 million jobs) resulted from looking at the net implication of trade imbalances in 1984 alone, using historical relationships among industries. The high estimate (a loss of 2.4 million jobs in 1984) stemmed from an evaluation of the effect of the change in the composition of trade in recent years, although the same interindustry and employment relationships were used.

Both the high and the low estimates, while accounting for the nation's complex industrial structure, intentionally do not take into account the overall performance of the economy. Implicit in the first approach is the assumption that trade in each sector could be balanced, and, in the second that the pattern of trade could be kept the same without any overall economic effect or feedback.

In contrast, a third approach, with an estimated loss of 1.8 million jobs in 1984, assesses trade and employment relationships within the context of the overall economic environment. This analysis assumes that the United States undertakes a set of policies designed to bring about a trade balance. These include negotiations with other nations that result in their reducing trade barriers and unfair trade practices that harm the United States, along with agreements that key trading partners will implement government spending, tax and monetary policies that speed up their economies and thereby help reduce the United States' trade deficit. The new element in this phase of the Commerce Department's analysis is the allowance for the feedback from such factors as interest rates and inflation when the pace of the U.S. economy quickens due to the trade deficit's decline. Simultaneously, employment and output are traced through the nation's industrial structure, as in the Department's two other analyses. The resulting trends in employment and output are then compared to those likely to occur if no effort is made to eliminate the trade deficit.

Updating these job loss estimates to 1986 requires adjusting for the deterioration in the nation's trade deficit over the last two years. In 1986 the merchandise trade deficit was running at an annual rate of about $173 billion, a full forty percent increase from the $123 billion deficit posted two years earlier. Adjusting the Commerce Departments' estimates for this additional deterioration indicates that between 1.5 million and 3.4 million jobs were lost last year. When updated, both the mid-level and the average of the Commerce Department's estimates indicate that the United States lost 2.5 million jobs because of the trade deficit in 1986. (See Table 1.)

Thus, the consensus of the three updated Commerce Department estimates is that **2.5 million jobs were lost in 1986 due to the nation's huge trade deficit. If trade were balanced and 2.5 million more people were employed, the unemployment rate would now be 5 percent instead of 7 percent as has prevailed for over two years.**

Trade and Industry Employment Patterns

While the influence of the import surge has spread throughout the nation's economy, the harmful effects have disproportionately fallen on particular industries, occupations, and areas. Of the nation's many different products and services, output originating in manufacturing has been most heavily affected by trade.

The Commerce Department's estimates, revised to 1986, indicate that job opportunities in U.S. manufacturing dropped by 2.6 million because of the trade deficit. (See Table 2.)

The industries that lost the most employment opportunities and their number of lost jobs were: textiles, 631 thousand; electrical and electronic equipment, 475 thousand; the three metal industries combined (primary iron and steel, primary nonferrous, and fabricated metal products), 342 thousand; leather and leather products, 208 thousand; and motor vehicles, 171 thousand. The lost employment opportunities presented here differ from the net change in jobs the industries actually experienced. The former — i.e., the job opportunities forfeited

Table 1. Total Employment Loss from Trade Deficit in 1986 (millions of jobs)

A. Low (from trade imbalance in one year)	1.5
B. Mid (compare deficit & policy to balance trade, allowing for feedbacks from economy)	2.5
C. High (from change in trade's makeup since 1977)	3.4
Average:	2.5

Source: U.S. Department of Commerce
Note: Updated by AFL-CIO Dept. of Economic Research based on estimated 1986 merchandise trade deficit.

Table 2. Industry Employment Losses from Trade in 1986 (in thousands)

TOTAL	-2493
Mining	-54
Construction	-21
Manufacturing	-2622
Food & kindred products	-35
Tobacco manufactures	-2
Textile mill products, apparel	-631
Lumber & wood products	-62
Furniture & fixtures	-30
Paper & allied products	-46
Printing & publishing	-23
Chemicals & allied products	-97
Petroleum refining	-12
Rubber & misc plastic products	-94
Leather & leather products	-208
Stone, clay & glass products	-53
Primary iron & steel mfg	-137
Primary nonferrous metals mfg	-91
Fabricated metal products	-114
Machinery, except electrical	-129
Electrical & electronic equipt	-475
Motor vehicles & equipment	-171
Aircraft & parts	14
Other transportation equipment	-14
Instruments & related products	-68
Ordnance & accessories	7
Miscellaneous manufacturing	-130
Transportation, Communic., & Util.	-38
Wholesale & Retail Trade	421
Finance, Insurance, & Real Estate	-42
Services	-136

Source: U.S. Dept. of Commerce & the BLS.
Note: Updated by AFL-CIO Dept. of Econ. Research.

because of trade — represent jobs that would have been available under the assumption that the nation's trade balance were better than it actually was. For example, given the growth in the nation's economy and in the demand for various goods and services, if trade had been balanced and demands were satisfied to a greater extent by domestic production, many domestic industries that lost jobs would have had job increases, and industries that posted net employment additions would have enjoyed even larger increases.

Regional Employment Disparities

The unequal pattern of trade burdens has led to recessionary conditions in many states and areas. The geographic contour of job losses bears the definite imprint of trade's industrial influences. In particular, those regions where trade-sensitive manufacturing industries are located have experienced sizeable losses in job oportunities.

Data Resources, Inc., a private economic consulting organization, evaluated trade's influence on the nation's regional employment patterns in 1984. (See Table 3.)

Such large industrial states as Pennsylvania, Michigan, Ohio and New York have all seen huge numbers of jobs evaporate due to trade. But several Sunbelt states, including North Carolina, California and Texas, also rank at the top of the job loss list, and many other Southern states are among the worst losers.

Because the economic devastation related to trade has caused local tax bases to erode, such areas cannot, on their own, help workers and industries harmed by imports. Federal action is essential.

What must be done?

The problems caused by America's massive trade imbalance require comprehensive solutions. Urgent action is needed to require countries that have excessive trade surpluses with the U.S. to immediately begin to reduce those surpluses. U.S. trade remedy law should be changed to require quicker and more forceful action against imports that are either dumped or subsidized, as well as timely and predictable relief for industries and workers that are injured by imports. U.S. law must also be updated to deal with practices like industrial targeting and the denial of worker rights. Tax and tariff incentives for business to move production overseas should be terminated. In addition, meaningful financial assistance, training, job search and relocation assistance must be re-established for workers who have lost their jobs because of trade.

Table 3. Mfg. Jobs Lost from Trade by State in 1984

	%	Thous.		%	Thous.
7.5% or greater:			5.1% to 6.0%:		
South Carolina	13.3	50.5	Oregon	6.0	12.2
North Carolina	11.7	96.5	Arizona	6.0	10.9
Georgia	11.7	63.2	Louisiana	5.9	11.2
Alabama	10.5	37.7	Illinois	5.6	57.1
New Mexico	9.9	3.7	Wisconsin	5.5	29.1
Mississippi	9.3	20.0	Colorado	5.5	10.9
Rhode Island	8.4	10.4	Delaware	5.4	3.0
Utah	8.4	8.3	Iowa	5.3	11.5
Tennessee	8.3	42.4	Vermont	5.3	2.7
Virginia	8.1	34.6	Montana	5.3	1.2
Pennsylvania	7.9	91.0	Minnesota	5.2	20.5
Michigan	7.8	75.2	Nebraska	5.2	5.0
New York	7.7	104.4			
			5% or less:		
6.1% to 7.5%:			Idaho	4.4	2.5
Connecticut	7.3	31.3	South Dakota	4.2	1.3
Kentucky	7.2	19.1	North Dakota	4.0	0.6
Washington	7.1	21.1	Wyoming	3.5	0.7
Massachusetts	7.0	46.7	Alaska	3.0	0.3
Oklahoma	7.0	13.0	D.C.	2.0	0.2
California	6.8	143.7	Hawaii	1.3	0.3
Missouri	6.8	29.1			
Texas	6.6	60.9			
Indiana	6.6	41.4	U.S. Total	7.2	1453.0
New Jersey	6.5	49.2			
Florida	6.5	34.0			
Maryland	6.5	14.4			
Kansas	6.5	12.3			
West Virginia	6.4	6.1			
Arkansas	6.4	13.0			
Ohio	6.3	73.2			
Maine	6.3	7.0			
New Hampshire	6.2	7.0			

Source: Data Resources, Inc.

Prepared by Richard Krashevski
Economic Research Department

Chairman HAWKINS. Thank you, Mr. Oswald.

The next witness is Mr. William Spring, Vice President Federal Reserve Bank of Boston.

Mr. Spring, it is a pleasure to welcome you back to the scene of your earlier contributions to this committee. We look forward to your testimony.

Mr. SPRING. Let me begin, Mr. Chairman, and Mr. Jeffords, by saying how delighted I am for this opportunity to testify before the House Education and Labor Committee and in the Carl Dewey Perkins hearing room.

I worked for Senator Gaylord Nelson, as you know, from 1963 to 1973, on his personal staff in the other body—I guess we can say the Senate now, can't we—on the Senate Committee on Employment and Poverty, and I think in those days we forged, not only a bipartisan which is difficult enough, but even a bicameral approach to employment and training policy, which made it not easy, but a pleasure to work in that process, and to be part of that team trying to build a system in this country which really works. So it is a pleasure for me to be able to return now and speak before the committee.

Let me say a word about the Federal Reserve System. I am now a vice president for district community affairs in the Federal Reserve Bank in Boston.

My job in Boston includes working with education and employment and training issues in Boston, Massachusetts, and New England and with reinvestment account issues throughout the first district. But I am here today as a person who has had some experience in this field, not as a representative of the Federal Reserve System.

Let me ask that my statement be printed in the record and ask permission to file a few other documents, which I think are relevant to this.

Chairman HAWKINS. Without objection, both the statement and other documents to be supplied by the witness will be entered in the record.

Mr. SPRING. Thank you, Mr. Chairman.

I am going to emphasize three principles as I talk about the building of our current employment and training system. What information we have about that, the relevance to some extent of European experience, the relevance of what we have been doing in Boston and Massachusetts and throughout the JTPA system, to adult training and competitiveness, and finally make some recommendations.

Those basic principles are as follows: One, the essential nature of having accurate information, of people, all the actors in this situation knowing that facts. John Dunlop often makes the point that in labor management bargaining having agreed on facts is the place where you begin. So long as you can claim that the other fellows facts are inaccurate you have no place to reach any kind of standing bargain.

The second is the importance of labor market institutions. We, in this country, like to do things from a distance, with as little government involvement as possible. But I think in the labor market you have to build institutions that work, and in some ways we are only half way there.

Finally, on accountability, which I don't need to pursue, but I think it is very important that elements of the system be accountable to themselves and to others for their performance for what they accomplish. That is not a private sector view. I think that is just a good management view but one that is often evaded in structures which rely on the political process for their funding.

That having been said, let me begin. The pressure on Congress to act on training policy in 1986 and 1987 brings us back to where we were, in some ways in 1960-62 period, when the manpower development and training act was formed.

In that period, as in this, there have been periods of high unemployment, and in that period as in this period, there are fears of what new technology will do to jobs and employment—at that time it was called automation, now it is microism.

Robert Theobold in those days wrote a bountiful book called the "Triple Revolution," saying that by now none of us would have to work, we would have to worry about paying people for leisure time because automation would move so rapidly.

The new element now is international trade. As Lester Thoreau has documented, the double impact of imports competing with domestic manufacturers and the fall in our own manufacturing exports, create a sense of urgency, which may, in fact, be helpful.

The Germans and the Japanese established after the 2nd World War a spirit of collaboration between management, labor and government, when it was clear that their initial survival depended on those elements working together.

Well, Rudy, we may be in the same bind in this country now, and maybe it will produce some value.

The Manpower Development and Training Act was the last in a series of employment and training legislation which was aimed at all members of the working class, if I may put it that way. In 1933 we established the job service; in 1935 the unemployment insurance; the ARA in 1961, with some hiatus in the middle; and in 1962 the manpower development and training act, which were all designed to help workers, whoever they were, and at whatever income level, who lost their jobs to then have income to sustain them.

The breakthrough in Manpower Development and Training Act was to have the Federal Government pay the stipend and cost of training. But in 1964, when then Labor Secretary Willar Wirtz discovered the job service and vocational system was not really serving poor people, well, we started off on a different path.

Since then we have through CETA, JTPA and a wealth of other categorical programs focused most Federal attention on low-income people and with the encouragement of OMB on quite low-income people.

If you look now at the structure of the American training system and you ask not just where Federal dollars are going but what is happening in that whole system, it is, in fact, a very confused and not well-understood structure, not well understood in anyone's mind.

Let me quickly run down the list of institutions which are involved here to get a sense of what I am talking about. Private company on-the-job and formal training programs, Mr. Doyle was saying $30 to $50 billion is spent by private firms on training. There is some room there.

Friends of mine who work with the data say they don't know for sure but maybe $8 billion of that total is spent on blue collar line training.

The rest is spent on highly technical professional management training. No one is sure. We don't have a good reporting system for that. Although the BLS asks questions which may be better mined for better information.

There are joint union-managment apprenticeship training programs which are excellent. I had an opportunity to speak just the night before last, Rudy, before a meeting of apprenticeship programs in New England, and it is truly impressive to see both the quality, the accountability, and the spirit that this joint labor-management institution has been able to establish.

It is a program which is paid for in large part by the private sector. It is a program measured in its success by the ability of the young people who go through the program to, in fact, do the job on the job.

But is a program which often involves vocational schools for classroom training and on the job experience for people coming on. It is a very fine system.

However, if you look at the data of craft and kindred workers, 12 million in the American economy now, you will find that the largest fraction who have any formal training is about 50 percent or less, 17 percent got their training in the military. Another 15 through technical institutes, and only about 10 percent through this joint apprenticeship program, which, I think, provides a model, we might think about expanding.

The unions also operate direct training programs, there are profit making training institutions, proprietary schools, as they are called, about which we have very little information but which perform an extraordinarly valuable service because they are market tested. The people get the jobs or word gets around they are not working. There are not only the job service but private placement agencies.

The community college and training programs and vocational technical institutions, maybe 10,000 across the country, we don't have a clear idea by job title what they are training for and how successful those programs are. After all, education is designed to increase the potential of the whole person.

Training is when you have a particular job or a cluster of jobs in mind that you are aiming at. It would be reasonable to have information about where and what institutions provide training for what jobs on a national, regional, state, and especially local labor market basis, if it is going to be clear to workers looking for something, and to smaller businessmen looking for places to get training, or train those they need, if that information were available.

That is just information, not talking of a bureaucratic control, just understanding what the system is providing.

In paying for people in the training systems we have private pay, government loans, unemployment insurance supported training since people have those stipends, and welfare support to stipends.

Finally, we have training programs under the job training partnership and the network of community based organizations, which this committee has had a great deal of influence in establishing, which provide training now with limited dollars and for people who are quite poor.

This system, as I said, is not well understood by any of the actors within it or by the nation which it serves. I think that it is important for us to recognize that this training system, whether it is funded publicly, or privately, is part of the American training system, and if we are going to talk about improving, we have to start with the facts of what that system provides.

We began in 1962 and 1966, too, looking closely at what European systems have to offer. Let me say a word or two about what I believe we can learn from Europe.

We have incorporated in the job training partnership act some parts of the principle of having managment as well as government and labor representation at the local level and at the national level, local level at least for planning.

However, I think the major lessons we have to learn from Europe are different from overall management.

First, they have to do with size and scope. In Germany and Sweden you have one, as it were, Federal employment for every 500 workers, in systems which are integrated, that is to say unemployment insurance, vocational training, job service as assistance are all in one bureaucratic structure which has this tripartite assistance.

It gives them an opportunity to be flexible within the bureaucratic mechanisms at the same time they have the scope to understand what is happening in the larger system.

I asked a member of the Swedish Labor Market Board, when they came by the Federal Reserve Bank to have lunch a little while ago, how he would explain the fact that the Swedes and the Germans have so comprehensive a system supported by management as well as labor and the Americans have a system, at least a federally supported system, which touches such a small fraction of the work force.

I believe it is five percent of the displaced workers touched by the Title III program and even less among poor people touched by the JTPA program.

He said three things which are interesting.

The good news for this committee is he said if we were working only with poor people, we could not have built a national system. That is something we can do something about.

The other element he said is if we had been trying to get the Swedish system through the European economic community parliament in Brussels, we would never have gotten it through.

I don't know what this committee wants to do with this attack, but it is something to think about.

Finally, the job service, or rather a labor market exchange function in Germany and Sweden is at the heart of what works in their system.

In our country, among the most confused part of our system is the labor market exchange function.

Imagine, if you will for a minute, what the market for securities, for stocks and bonds in this country would be without the New York Stock Exchange. Or without the curb on the American Exchange, as well. That is a place where buyers and sellers can see what is for sale, what the price is that is being offered.

The market for hiring and for seeking jobs is a more difficult market than the stock market because, in fact, you can buy a stock and the SEC assures you you are getting what you pay for.

When you hire somebody, it may not be as serious as marrying somebody, but at least it is as serious as a date. You as an employer have a relationship with a person for a substantial period of time, you hope.

Therefore, employers are very careful about who they hire, except perhaps in the fast food industry. They normally look for a reliable intermediary since they don't know people walking in the door.

That is to say, who recommended you? If you are looking for staff for this committee, you talk to people on the committee and others and say, who would you call, who would you recommend?

If you are an employer, you will often call a private employment agency. Seldom will you call the job service, because what the job service does by and large now is list on its microfiche the jobs available, show those to anyone comes in the door, and people walk over themselves.

They don't act as an intermediary at all. So, you have a situation which for everyone in the labor market is difficult. Middle class professionals who have extensive personal networks are out of this problem, but for working class families, especially poor families, it is a major problem.

Someone said the best job developers are the mothers and fathers of middle class kids. If your son is out stealing hub caps, you are going to lean hard on your brothers, sisters, uncles and cousins to find a job for that child.

If you are a white family in the D Street project of South Boston or a black family in another housing project in Boston and don't have those contacts, what do you do?

You are in deep trouble, because we do not have a large functioning job service in this country.

In Massachusetts, we have had a 40 percent cut in funds available for our United Unemployment Insurance and Job Service staff since 1975 at a time when unemployment insurance claims have only gone down about 19 percent. It is a vestigial service at this point.

In Boston, in developing the Boston Compact, we have come to understand how important a labor market intermediary is to getting jobs for low income kids.

The story of the Boston Compact—which I won't go into in detail—but in brief, whereas across the whole country the Bureau of Labor Statistics found for the class of 1985, 19.6 percent were unemployed in October of graduation and 50 percent of the black young people were unemployed—this is 50 percent of the black high school graduates, people who stayed the course, to coin a phrase, who spent 12 years in education, 50 percent unemployment the following October. In Boston, we have the unemployment level down to something between five and eight percent. The difference between black and white unemployment is insignificant.

BLS data analyzed by Andy Summit at Northeastern shows only 30 percent of black graduates, class of 1985 again, have jobs by March. That is a 30 percent employment population ratioed to young people whose labor attachment may be weak.

In Boston, the employment population ratio for a black high school graduate in October is 60 percent. The employment population ratio for whites is 61 percent. They are really very close.

How is this done? Well, we have three ingredients. One, accountability. The private sector has committed itself as part of a larger effort to improve the Boston school system to provide jobs for people who graduate from school. Summer jobs for sophomores and juniors, part-time jobs for kids in their junior and senior year and jobs upon graduation.

Over 600 firms are part of that network of private firms who are participating. In each high school we have a career specialist, a young person 25 to 35, typically.

The first round came from laid-off teachers. We had to lay off 25 percent of our work force, many of our brightest, most able, most aggressive younger teachers. Those career specialists work with the young people, get to know them well, counsel them on interviewing technique and job search technique and go out and job develop and form personal relationships with employers.

Then they arrange those job interviews. It is not a job guarantee program. A typical person goes through four or five interviews before they get their act together.

Because the employers of Boston have confidence one by one in the work done by those career specialists in the schools, we are able to secure jobs for a group of young people, high school graduates—these aren't all the poor young people in Boston by any means—who, in fact, have demonstrated an ability to stick with the task and who, 90 percent of it turns out in the April after graduation are still on the job or had a promotion or have gone back to school.

It shows the value of a working job service.

So, one institution that you have to have, in my judgment, is jobs. Another institution you need is a way in which you can, especially among smaller firms, pull together the employment needs in the private sector so they can be effectively met.

This is a problem which the Irish understand and through their grant levy system ask firms to put a certain amount of money in a common pot, a tax, if you will.

If you do training to company standards in your firm, you get your money back. If not, it is spent on training in vocational settings.

The critical issue is having training done to industry standards because, as Professor Quinn Mills of the Harvard Business School has observed in an article written in 1982, every individual firm is under pressure to train only for the skills that it needs for its particular jobs; whereas, each worker and the economy, as well, want workers trained as well and broadly as possible so they will be able to make those moves from company to company which are inevitable in this volatile labor market.

Mr. Doyle pointed out one of the recommendations of CED is that companies be urged to carry out broader training. It is difficult to do if you are in a very competitive market. If you buy a piece of machinery, once you have it made see it is what you ordered, you bolt it down and it will be stay there. If you put two years into training your machinist, he or she can walk off the job, go work for a competitor, who perhaps did not make that costly investment in training.

Finding a way to overcome the public goods problem is a challenge. Not institutions which the government runs, but institutions which look something like the joint management training program, management union training programs in apprenticeship where, in fact, a number of companies and perhaps worker representatives agree on a curriculum which is industry-wide and then see to it that even though individual companies may want only one or two of the trainees, that collectively their need for trainees is pulled together, so the quality training can be carried out, quality training which would be on the job as well as in public institutions.

In this time in which the Federal Government has put less resources and less attention on employment and training, there have been a wealth of developments at the local level, State and local level, which I think deserve mention.

I have already talked about the Boston Compact. In Massachusetts, the Bay State Skills Corporation and similar outfits in other states are working with private sector firms. In Massachusetts, the machinists, the fiber optics industries, have pulled together collectively to contract with community colleges under Bay State Skills to carry on training.

In San Diego, the electronics industry has a similar program. In Massachusetts, the industrial services program, somewhat like the Canadian program, helps firms who fear they are at a point of nearing lay-offs so they can get workers back on the job as rapidly as possible.

In California, with unemployment insurance diversion funds, it is administered by training panels which include labor as well as management and members of the State legislature which is perhaps a useful innovation. I am not sure.

But we have a wealth of developments at the local level. This committee itself in the bill it reported out last May in talking about the need for stipends, in providing encouragement for joint labor-management training programs, for thinking about the problem in terms of industries rather than only in terms of geographical direction, I think, broke important new ground.

As we look forward, not only to what we will do in the next few months as part of the budget and the legislative process, but more importantly as we look forward to the year 2000 and the kind of training system this country needs, my recommendations would be that we look at having accurate information about what all parts of the American training system are doing now.

After all, the training system of this country has helped us have the most productive labor force. It is not a training system which is of no consequence. It is a very important resource we have, but it is one in which we have to think of public and private efforts as being in the same—part of the same larger national piece.

Secondly, is that we think about constructing those institutions which are necessary for government to participate in one way or the other.

Finally, a word about how it is paid for. It seems to me if there are two weaknesses that we have had in the past, it is too much concern of who will have responsibility for running programs and to focus too sharply on how they will be paid for.

There are a couple of proposals around on how this might be paid for which I think I want to say a word of warning.

Tax-based systems are perhaps helpful, but they are not sufficient. If we have 47 percent of our black young adults reading at or below the eighth grade level, we need to have a lot of training done for relatively low-income workers.

These are not workers who currently have individual retirement accounts. They can't afford to put the money aside. I don't think you are going to find these workers are likely to take advantage of an individual training account, either.

Secondly, I think smaller firms are going to be very reluctant, firms whose existence is somewhat in the balance, in sharp competition, but firms where many of our new jobs are and where there is a great need for training.

These firms are going to be reluctant to put money aside into the training account which doesn't kick in until the firm goes out of business.

Finally, training accounts of whatever description do not go to the need to build institutions. The same on the other side of the tax credits to private firms for training.

First, we have this vast amount of undocumented, on-the-job training.

Secondly, we have the problem of smaller firms—many large firms do an exemplary job in training—but most of our work force is in smaller firms, and for them, with modest profit, if any, a tax-based system is not going to do the job.

I think it is important that following the Europeans, we take a look at unemployment insurance as a whole. The Germans in 1969 changed their system from one that replaced income only to one which is aimed specifically at helping people back to work, and see if the recommendations move us in that direction.

Finally, I think we should take advantage of the creativity at the State level to encourage State and local flexibility.

The Job Training Partnership Act, while it doesn't have a lot of money, has created at the local levels what amounts to local labor market boards which can look at what is happening. I think we should take advantage of that system.

I want to end where I began by saying I believe we need information, accurate information, information that all parties agree is accurate, covering our entire training system, not just the federally-funded part.

We need to look carefully at those institutions. I would suggest especially market exchange institutions and institutions which can pull together the needs of many small firms as responsibilities of the public sector to at least play a role, not to control, but to play a role.

Finally, if we believe, as Willard Wirtz has been preaching for some time, that learning is a life-long process, and especially for a country faced with international competitiveness challenges, we need workers learning while they are on their current job, not just when they become displaced workers.

We need to think about understanding and improving our entire employment and training system, not just the narrow federally-funded part.

Mr. Chairman, thank you very much.

Chairman **Hawkins**. Thank you, Mr. Spring.

[The prepared statement of William Spring follows:]

Prepared Statement of William Spring, Vice President, District Community Affairs, Federal Reserve Bank of Boston

TRAINING AND COMPETITIVENESS

Let me begin, Mr. Chairman, by thanking you for this opportunity to speak to the issue of training and competitiveness. As you know, I have spent a number of years working on issues relating to training, as a staff member to then Senator Gaylord Nelson of Wisconsin in his office and on his Employment Subcommittee, and on Mr. Eisenstat's staff in President Carter's White House. In all those years it has been a great pleasure to work with you and with members of your Committee's staff.

Now I serve as district community affairs officer at the Federal Reserve Bank of Boston. My work includes a concern with training issues. When Mr. Frank Morris, president of the Federal Reserve Bank in Boston, was chairman of the city's Private Industry Council, I served as president. I have also been active in the development of the Boston Compact and on the State Job Training Partnership Council. Last fall I taught a short course at the Kennedy School of Government on public-private collaboration in training.

However, I want to state clearly that I am speaking today as an interested citizen. My views in no way represent those of the Federal Reserve System or the Federal Reserve Bank of Boston.

The Elements of the U.S. Employment and Training System

In trying to understand the structure of the training system in the United States, the first thing to realize is how numerous and diverse the training efforts are. If we consider only those institutions that help people train for and secure specific jobs after secondary education, we must include:

- o private company on-the-job and formal training programs
- o joint union-management apprenticeship training programs
- o union-operated training and re-training programs

- profit-making training institutions
- private placement agencies
- community college training programs
- vocational technical institutes
- the Job Service
- Unemployment Compensation assisted training
- training paid for in whole or in part with federal and state welfare funds
- programs funded under the Job Training Partnership Act.

This list of distinct programmatic efforts suggests that this Committee, as it considers training and national competitiveness, might want to take a look at how the current institutions in this field relate to one another and to the national interest.

There is no doubt that a system that could provide the poor with needed basic skills, job skills and access to decently paid jobs would be of enormous benefit to the nation. This Committee has spent years trying to construct such a system. But is there a need that goes beyond the problems faced by the disadvantaged? The problems faced by "displaced" workers suggest that there may be.

The Committee is familiar with the basic demographic statistics. At a time when the exploitation of the micro-chip means rapid change in job content and the elimination of many jobs, the supply of entry-age workers - those most easily trained on the job - is in sharp decline. Between 1979 and 1995 the population cohort ages 16 to 24 will shrink by 20 percent (from 36 million to 28.5 million). This means that more re-training of existing members of the work force will be necessary.

How is training now accomplished? Is our current mix of largely private training efforts adequate? Among the current 12.8 million skilled 'craft and kindred workers' (to use the B.L.S. categorization), only a little better than half received any formal training. Among those with formal training, 17 percent of the whites were trained in the military, 16.4 percent in company programs, 15.3 percent in technical institutes and only 10 percent in registered apprenticeship programs. The number of highly skilled workers trained by the federally funded system was not significant.

Most training, then, is done by private firms, informally, on the job. That system has some real advantages, since training is likely to be carefully tailored to the specific job to be done. But it has some disadvantages for the work force as a whole and for the nation's policy of training for competitiveness.

First, it is difficult to measure the effort now being made to train blue collar and other non-management workers. As Lawrence Weinstein has written, until recently training costs for non-executive workers were considered to be minimal and no record was kept of these expenditures. It has been estimated that the private sector spends $30 billion to $50 billion on training, but there is no agreement on the fraction spent on line workers. Most programs are aimed at executive, sales, managerial and professional training.

Second, as Quinn Mills of the Harvard Business School has pointed out, individual firms are under pressure to limit their training as much as possible to the firm's immediate needs. Yet the country has an interest in people being trained to the maximum of their ability, in programs that prepare them for a wide variety of specific jobs. If a firm invests in an expensive piece of machinery, once it is bolted down it will stay in place. But an individual with two years of training as a machinist can easily move to another plant, taking the first company's investment with him. So a situation can develop where firms are competing for scarce, highly skilled specialists while reluctant to spend the dollars to carry out training themselves.

Training for the Disadvantaged and the Development of Federal Policy.

The passage of the Economic Opportunity Act in 1964 was a turning point in national training policy. Previous training initiatives had been aimed at all who might need them: vocational education in 1919, the Job Service in 1933 and the Unemployment Compensation system established in 1935 were all programs that did not ask a person's income before providing assistance. They can all legitimately be considered elements of a national employment and training strategy. The Manpower Development and Training Act, modest in size as it was, continued that pattern. To qualify for most of its training programs and stipends, a person had only to demonstrate some previous attachment to the work force.

The focus of the Economic Opportunity Act - and the training and employment programs it established - was on helping the poor to learn skills and gain access to decent jobs, so that they could lift themselves out of poverty. The Job Corps and the Neighborhood Youth Corps and the other congressionally mandated programs that followed were designed to bring resources to those whom the Job Service and vocational education in particular had overlooked.

These are necessary programs. And with the overall strength of the American economy in the mid 1960s it was possible to ignore what was happening in the larger training field. But no longer. We must again consider how we organize our overall employment and training system.

It is interesting to note that the period just before the passage of the Manpower Development and Training Act in 1962 was also a time of fear of job loss. Two recessions led to calls for a more active fiscal policy. The fear that "automation" would result in high unemployment throughout the economy led to the drafting of legislation to retrain and reemploy those who were, in fact, "displaced" workers.

European Models

In those days people in the employment field looked to European models for guidance as to the type of institution we ought to establish. The key element of organization in the German and Swedish systems is joint leadership by management, labor and government at the national, regional and local levels. Americans have dreamed about some similar structure here. One step in that direction is the private sector participation in Private Industry Council boards, established under the Job Training Partnership Act. The European systems are characterized by elements we lack: a very strong Job Service with mandatory job listings and, in Germany, a monopoly on placement activities; substantial funding - enough for an employment and training professional for every 500 people in the work force; and the integration of training and income support for the unemployed. Germany revamped its entire unemployment insurance system in 1969, changing it from a system designed to replace income to one designed to help people keep their jobs. During temporary economic slowdowns it provides partial payments to compensate for shortened work weeks, or to get people back to work as rapidly as possible.

If for a moment we set aside questions of governance - which have engaged so much congressional attention - the main lesson that the Europeans have to teach us is the central role played by a functioning Job Service in an effective employment and training system. The decision to hire is perhaps not comparable to choosing a spouse, but for most firms it is at least as serious as choosing a date, as opposed to, say, ordering an auto part from a distributor. Since most people a firm hires will not be personally known, the firm must find a reliable intermediary. Often that means an individual already working in the company or known to the company. It can also mean an employment agency that is known to be dependable.

The Boston Compact

The reality of this principle has been brought home to us in Boston through our experience with the Boston Compact. In Boston the schools and many firms in the private sector have built a reliable bridge between school and work. In the October following graduation for the class of 1985, 60 percent of the black graduates were employed. That number is nearly twice as high as for the country as a whole. Bureau of Labor Statistics data show that even by the following March, only about 30 percent of the black graduates were working. Across the nation, black graduates do only half as well as whites in finding jobs. In Boston the employment/population ratios for white and black graduates were only one point apart.

What has made the difference? Boston's strong labor market helps a great deal, as does the fact that black and Hispanic high school graduates did well on the job, once given the opportunity. Statewide unemployment was under 4 percent in the fall of 1985, and only 18 percent for 17-to-19 year old blacks, better than the national numbers. The willingness of the Boston business community to commit itself to priority hiring of Boston high school graduates as part of the Compact was essential. But also necessary is the school-based job service established by the Boston Private Industry Council.

The network of reputation and acquaintance among upper middle-class professionals is very wide, even national in many specialties. But inner-city high school students, many of whose mothers live in housing projects, are isolated from downtown personnel officers. And this isolation works in both directions. Personnel officers not only do not know these inner-city young people, they all too often hold negative stereotypes about them. To meet this situation in Boston, a Private Industry Council job specialist at each high school acts as a trusted intermediary, counseling young people, developing job opportunities, and arranging interviews where it appears that the job and the young person might make a good match.

We have allowed our Job Service to shrink in size while tangling it in bureaucratic procedures, to the point where it seldom serves the essential labor market function of being a reliable source of employees to local firms. If we hope to build a working employment and training system, we must greatly strengthen that key institution of any labor market system, the Job Service.

Recent steps to develop local labor market plans, coordinated through the Private Industry Council and the Job Service, make sense. But reform of the Job Service requires more than better coordination. That organization simply doesn't have the resources to meet the challenge of providing comprehensive labor market assistance, especially if it is to become known and trusted by the employing community.

Individual Training Accounts and Tax-Based Training Programs

If individual firms are under pressure to minimize their investment in the very broad-based training that workers and the nation most value, then the challenge to policymakers is to create institutional structures that will overcome that pressure.

One technique used in Ireland requires each firm to pay into a common training fund. Industry-wide training standards are then developed by industry representatives, and each firm that provides training up to standards receives a refund. For those firms that do not carry out training activities - often smaller firms - their share is spent on joint training programs. This principle is carried out on a voluntary basis in the German "dual" or apprenticeship system.

In the United States, under Job Training Partnership Act leadership, similar arrangements have been set up. In San Diego, the micro-electronics industry has established a joint training center, sharing the cost among several firms and with the J.T.P.A. system. In Massachusetts, institutions such as the Bay State Skills Corporation are building collaborative efforts between industries and community colleges, vocational technical schools and other training institutions.

Proposals to pay for expanded training in private firms using tax credits alone run into the problem of quality control. And most observers believe that firms are very reluctant to have federal inspectors on the premises. We need to find ways to engage widespread private sector participation in training, while at the same time assuring that the training is broad enough to prepare workers for careers beyond the immediate task in the company.

One widely discussed concept is the individual training account, modeled after the individual retirement accounts that have proved so popular among higher income taxpayers. The individual training account has several disadvantages, however. First, it does not address the problem of training quality. Second, only those workers who could afford to put substantial funds aside would participate. And the workers most in need of training and re-training are those with the least current income. Finally, funds for training would only be available when plants suffered major layoffs. Smaller firms, especially, may be reluctant to invest substantial funds in accounts that are available only when the firm goes out of business. It would be wiser to devise ways to encourage workers to seek training on a continuing basis, especially workers in need of basic skills improvement, rather than wait until the crisis of unemployment strikes.

In Summary

My recommendations are as follows:

o That this Committee examine the U.S. training system as a whole - recognizing that it is made up of educational as well as training institutions, largely in the private sector.

o That the Committee recognize how central to an effective system is the labor market exchange function, in which our current Job Service plays a relatively small part.

o That the Committee look to examples of public-private collaboration for the delivery of training and employment services, such as the Boston Compact, many of which are now being developed at the state and local levels by the Job Training Partnership Act.

o Finally, that in seeking to expand training activities, the Committee consider ways to assure the disadvantaged of access to expanded job training, opportunities and ways to encourage firms to engage in joint training efforts.

Chairman HAWKINS. The final witness has appeared. I would like to disclose a conversation that Mr. Jeffords and I had as Professor Porter came into the room.

We were trying to distinguish whether or not he might be the witness that we were looking for, the final one. I will not indicate who said what but one of us said, "Well, he looks like he just got off a shuttle. He looks very much like he might be from Boston, looks like a Harvard businessman," and other such descriptions.

We found out that our description fit the witness, Dr. Porter.

Dr. Porter, we are glad to welcome you as a witness who fits all the nice things we said about you.

STATEMENT OF MICHAEL E. PORTER, PROFESSOR OF BUSINESS ADMINISTRATION, HARVARD BUSINESS SCHOOL

Mr. PORTER. Thank you, Mr. Chairman. I didn't realize I was such a dead ringer.

I am very privileged to get the opportunity to give testimony to this committee on a very, very important subject, which is the competitiveness of U.S. industry.

I am delighted that this committee is holding these hearings, and I sincerely hope that these hearings and the deliberations that follow will lead to important and bold new programs.

My testimony this morning is not so much testimony about the specifics of educational policy nor labor-management relations nor the other related subjects that many of you know so well.

I am not here as an expert on the details of educational policy nor labor-management relations.

However, I speak to you today from perhaps a somewhat different perspective than the other speakers. I was a member of the President's Commission on Industrial Competitiveness, appointed by Ronald Reagan to study the competitiveness of U.S. industry, a commission which has got to go down in history as having the longest lag of impact of any in recent memory.

I am also a member of the Executive Committee of the Council on Competitiveness, a new private sector group formed in the last two months to champion the economic competitiveness agenda in this country.

Finally, I am a professor at the Harvard Business School who has spent his career studying not government but firms. My specialty is the competitive strategy of firms, how firms can compete effectively.

I have served as a strategic advisor to hundreds of companies in many industries, and my view from that work is that the problems you are discussing today are so urgent and so significant that I have devoted a considerable part of my attention in recent years to this agenda.

I hesitate to mention that I am a Harvard Business School professor because, of course, many of you will remember the articles that say that we are a big part of the problem.

I hope my testimony today will not contribute to that perception, but hopefully to the perception that we at the Harvard Business School feel a great commitment to improve U.S. competitiveness.

I would like in my brief comments today to try to provide a series of major observations about the broad issue of competitiveness, starting at the general level and then moving ultimately towards issues of education and human resources.

I would like to start my testimony by talking about a subject that may be obvious, but I don't think so; that is, what is "competitiveness"? What does that word mean?

It is written here on the agenda for today. It is written on the top of my notes for my presentation. But what is "competitiveness"?

There are many definitions of "competitiveness" in use today. The definitions tend to be distorted and modified to suit the purposes of the person who is using them.

However, our commission, the President's Commission on Industrial Competitiveness, spent a great deal of effort thinking about what competitiveness was, what it really meant. We came up with the following definition that I would like to offer for your consideration.

We define "competitiveness" as the ability of a nation's industry to produce goods and services which meet the tests of international markets. This means that American firms must be able to produce goods that are innovative, that embody the latest features, that are of the highest quality, and that are produced with the highest levels of efficiency, all in such a way that when we get out into the international marketplace and compete with Germany, Japan and other nations, our firms meet that test.

Why did we pick this definition? There are many other definitions that have been in use. We pick this definition because this definition to us is the one that is most directly tied to jobs, to wages, and to the return on capital. If firms can truly produce goods and services that meet the test of international competition, this will create good jobs; it will create high-paying jobs; and it will provide adequate return to capital.

On the other hand, competitiveness is not just balancing our trade deficit. Many poor countries have balanced trade—many countries that we don't want to emulate. What is important is not the balance of trade so much as the composition of trade, what we are selling abroad and what we are buying from abroad. If we are selling price sensitive goods and natural resources and buying advanced, sophisticated products, that, I submit, is not a good balance of trade for America. It does not support the kind of high paying jobs that we are hoping to have in this country and the kind of returns on capital that our industries need.

I submit that if we focus on my definition of "competitiveness", producing goods and services that meet the test of international markets, we are likely to set good policies. If we can do things that are going to further this goal, the chances are quite high that as we move into the next century, America will be a highly competitive economy.

On the other hand, if we pick other definitions of competitiveness, like balanced trade or keeping out imports, the policies we adopt to deal with those definitions, I submit, are much more likely to reduce our ultimate competitiveness than to increase it.

Fundamentally, unless our industry can produce goods and services that meet the test of international markets our economy is going to go in the wrong direction, no matter what we do to control trade.

The U.S. faces a serious industrial competitiveness problem. It is not a new problem. It is a problem that is at least 15 years old, by my research and analysis. It is a broad-based problem. It is not a problem of mature industries. It is a problem that afflicts agriculture, it afflicts basic industries, it affects high tech.

One of our largest trade deficits this year is going to be in electronics. The competitiveness problem runs from robots to pianos to cameras. It is a broad-based problem.

It is also a structural problem. It is not a function merely of macroeconomic factors such as capital costs and the value of the dollar. Our trade deficit began in 1971. It has been rising steadily ever since despite the fact that the dollar was undervalued and sinking like a stone in the latter part of the 1970's. The huge shift in exchange rates that we have seen in the last few years has not made much of a dent in our trade deficit with Germany and Japan.

The single best indicator of our competitiveness, in the judgment of our presidential commission, is productivity growth. This indicator, I think, shows quite clearly that the output that our workers and our managers are able to produce per unit of time, per unit of effort, has not been growing as fast as that of other nations. We are simply not productive enough to meet the test of international markets.

This problem of international competitiveness is already placing severe strains on the standard of living of Americans. It is not something that is going to affect us in the future; it is affecting us now. Most of you, I am sure, are aware that real wages have been falling in the United States for at least the last five or six years. In real terms, the average weekly wage is at early 1960's levels, early 60's.

The U.S. is now in the process of adjusting to a lower standard of living. Every morning we open the paper and see new evidence of yet another industry or yet another group of workers who is reducing their standard of living. Fundamentally, the reason is that we are not competitive. We are not meeting the test of international markets.

U.S. public policy and U.S. public attitudes towards competitiveness have been lulled by a lot of false good news in the last few years. We heard some more of that in the State of the Union message recently.

There is a lot of talk about low inflation. Every advanced nation has low inflation. Inflation is low because there is excess capacity and because the oil prices have fallen dramatically, not because we are doing a good job from a competitiveness point of view.

Interest rates have fallen. Interest rates have fallen in every advanced country. They reflect capital market factors and not a competitive economy.

The stock market is hitting records every day. When the President's Commission report was issued a few years ago, talking about the serious competitiveness problems facing the U.S., the stock market hit a new high. Again, when the Council on Competitiveness was officially announced last December, that very day the stock market hit a new high. The stock market is not telling us anything about our competitiveness. It is telling us that the alternative investments are lousy. You can't make much on bonds. You can't make much on real estate. Where do you put your money? You put it in the stock market. The stock market is such a small portion of the overall pool of invested capital in the United States that relatively small adjustments in its direction will boost the stock market substantially.

ECONOMIC GROWTH

There is much made of the fact we have a very long recovery, a very long period without recession. Yet data shows that economic growth is primarily consumer led, or more precisely led by consumer credit. It has been financed not by creating wealth, but by borrowing wealth.

Finally, there is much talk of jobs, an issue of great interest to this committee. The U.S. has created a lot of new jobs. Therefore, we must have a competitive economy. Well, it is important to recognize that wages are going down, even though the jobs are being created. More importantly, however, I think we must look carefully at what kind of jobs are being created in our country right now. If we analyze that carefully, we see that perhaps 3 million of them are in retailing. They are the result of the growth of retail stores to service the boom of consumer spending that has been fueled by borrowing. Is this is a sign of a competitive economy? Not really.

There are some desirable jobs being created, jobs in healthy competitive industry, but too many of the jobs are in areas like retailing, wholesaling, and construction which do not reflect a competitive economy.

We have been lulled in our response to the competiveness problem in America by these false signals of good economic news. It has been very hard to see the underlying issues with this smoke flying around over the landscape.

You might be interested in a little anecdote about West Germany where I spent a good bit of time in the last year doing research. In Germany, in 1981, they almost had a trade deficit. They almost had a trade deficit. Didn't quite have a trade deficit. However, the experience provoked the most intense national debate on economic competitiveness in Germany that you can imagine. It was on every media, every television station, every night for months.

In the United States, we first had a trade deficit in 1971. It is only today that we are really even beginning to take serious steps to deal with the competitiveness problem. We have been lulled by our history of preeminence. We have been lulled by the confusing picture that economic news paints to the public in today's complex markets.

The third major point I would like to make is that the causes of the competitiveness problem are systemic and multi-faceted. There are not just the result of one or two factors. Our commission identified four broad areas at the root of the competitiveness problem. One was outdated capital resources, reflecting inadequate investment, low savings rate, a biased tax system. Another was inadequate technological progress, reflecting low R&D spending. The third was human resource problems, which I will come back to in a minute. Finally, a faulty, leaky, and squeaky international trading system, because the fact that the trading system is not delivering the kind of free and fair trade that we were hoping for.

The cause of the competitiveness problem is not just the dollar. The response of trade to the dollar is highly controversial. Many economists now believe that a falling dollar, even in theory, shouldn't reduce the trade deficit. The problem is not just unfair trade by foreign countries. If we rely on unfairness of foreign nations to blunt real response to this problem, we will be perhaps 10 or 15 years out of date. Germany doesn't protect its markets. Most serious forms of protection in Japan, believe it or not, were gone 10 years ago. We can't use protection abroad as an excuse to avoid taking action.

A falling dollar and falling real wages, which is what is occurring now, are also not the solutions to the competitiveness problem. All they do is reduce our standard of living. Unless we can improve productivity, unless our industries can meet the test of international markets, the dollar will continue falling indefinitely; real wages will continue falling indefinitely. Britain has enjoyed that sad fate for the last 30 or 40 years. Great Britain is now basically a developing country in terms of standard of living. That is not the way we want to solve our competitiveness problem, by continually eroding currency value and real wages.

Education and human resources are a central part of both the problem and the solution of competitiveness. America has for many years had very high wages for both workers and managers, and we want to keep it that way. In order to justify their wages, our workers have to be the most productive and the most innovative in the world.

This requires that we have the best trained, the best motivated, the best educated human resources. The evidence today is compelling that in a growing number of industries, in a broad swath of our economy, that is just simply not true anymore. We do not have the best educated, best trained, and best motivated employees.

Let me tell you another anecdote, this time about South Korea. South Korea is one of those new countries just coming up in international competitiveness. I had the opportunity to spend some time in Korea not too long ago with one of the leading companies in Korea, Hyundai. I sat around a table about like this with all their senior management. I decided to ask them where each went to school. One by one, these gentlemen said, "Well, I have a Ph.D. in engineering from California Institute of Technology, or I have a Ph.D. in physics from the Massachusetts Institute of Technology, or I have a Ph.D. in industrial management from Stanford." In Korea, the leaders of the great corporations have been educated at the highest levels that we have to offer.

The second part of my question had to do with where the son of the founder of the company was. Hyundai was founded by a man named Chung, a great Korean business visionary. His son, who has a birthright to be the next chairman, was in the United States studying for a Ph.D.

I asked why? Why is this young man studying for a Ph.D. in America when he has a birthright to be the next chairman of this company? The answer was in Korea today if you don't have an advanced degree, you don't have the self-respect to be a member of senior management of a leading company.

Those are the values in Korea, to have the best education, from the best school in the world. No matter whether you have to or not, you do it for your own self-respect.

I asked person after person in Korea, "What is the most important thing to you?" They answered, "My children's education." I am going to work those 60-hour Korean work-weeks, including Saturdays, so I can save up so my children get the best education. It sounds like the kind of statements we would hear in this country years ago. But lest we think that America is advanced and Korea is way behind, I think the evidence is that America and Korea are not far apart in terms of quality of human resources, training, dedication, and motivation of the work force.

America is not going to be a competitive nation until we can continue the record that we historically had of innovating, and being the most advanced. If we can renew our position, then we can justify a rising standard of living. If we do not, we are going to see a continual process of reduction of standard of living in relative terms that we see now.

What is the problem in terms of human resources in America? From studying a variety of countries, I believe the problem lies in four broad areas. The first I think is values: values of students, values of parents, values of workers, and values of managers. Unless we deal with these values, ultimately many of the other things you have been talking about today are not going to fundamentally change. The values today are the following. I deserve this job. I deserve to make a high salary. I put a high weight on my income, not on what I can achieve. If I can sell something, that is good enough, even if it is not really the best that I can do.

There is a set of values that I find strikingly different between a German worker, a Korean worker, a Japanese worker, even an Italian worker and American workers, managers, and students.

When I got off the plane in the Frankfort Airport recently there was a problem with the jetway that connects the plane to the terminal. It wasn't working very well. I was sitting in about the tenth row. So I could hear what happened when the plane door opened. When the door opened, the agent came on to the plane, and with a terribly red face and was terrible embarrassed that that jetway had not worked. He apologized one by one to every member of the crew about why the jetway hadn't worked.

There is an example of values—pride, achievement, producing something that is excellent. In some aspects, in some companies and in many industries, we have lost these values.

The second problem area in human resources is the whole area of labor-management relations. I know there has been discussion of that today. In too many companies the relations are archaic on both sides. Neither side is to blame; both sides are to blame. The attitudes reflect the old days when the U.S. was preeminent, and labor and management could haggle and not really affect our ultimate competitiveness. Today those days are over.

The third broad problem area in human resources has to do with the education and training area Mr. Spring was talking about. The evidence is compelling that we are behind in basic skills, in math and science, and in our pool of technical personnel.

Finally, and perhaps most subtly, the final problem area I would identify in human resources is confidence. If you talk to a Japanese executive about America today, they will say that American managers and American companies have lost confidence. They don't have the confidence that they can succeed on their own. Instead, they are forming into coalition agreements with foreign firms. They lack confidence. They lack the confidence they used to have in economic terms.

The Federal Government, has a legitimate and important role in education and training. I believe that this is perhaps the most central role of the Federal Government. Your committee is truly on the front line of our economic prosperity.

You used to perhaps see yourselves as a committee concerned with the "social" agenda of this nation. Now, I think you are a central part of the economic agenda, and that is the way the committee must view its role from now on.

I would like to make a few observations in the area of education and training. The first is that the major problem in our country with education and training is not at the top, but it is in the middle and at the bottom. At the very top, we still have perhaps the best universities for the people who can go to the best schools. Our educational system is stunningly good at that level. The number of Koreans and Japanese studying here right now is testimony to that. I think the efforts of this committee ought to be primarily directed not at the Harvards, I hate to say, and the Stanfords and MIT's, but at the middle. The community colleges, the colleges in the middle and bottom of the rankings, the schools that are dealing not with the elite, but with the great bulk of our citizens, are where the greatest need for improvement is.

We can't get lulled by our success at the top.

The second observation is that a crucial factor to moving forward in human resources in this country is to create a respected and high quality system of vocational and technical schools. There has been too much emphasis in this country on the university, the social, the broad-based university.

Vocational training, and technical schools in this country, are slightly tarnished. They have a bad name. They are not viewed as important. That is strikingly different from most other advanced nations. It has got to become honorable to go through these institutions in America. They have to be of the best quality. We don't today have the delivery systems, to provide vocational training to students and to provide technical training to the middle and lower middle part of our work force, much less the lower part of our work force.

The third observation from my experience is that any policies toward education and training will probably fail unless there is some mechanism for tying them to industry in some way, either through advisory boards or other mechanisms. One of the things that strikes one in Germany or Sweden or Italy is the close contact between industry and education at all levels.

Finally, I think that perhaps one of the most important things that we need in this country in the educational area is leadership. Somehow in the last few years, America has fallen into the false sense of comfort that decentralization will solve our educational problem. The Federal level has not been viewed as having an important role. It is a State and local problem.

Decentralization has created some good things, but I believe personally from studying other countries and from my own experience that there has to be a strong sense of national leadership in education. And that is not just money, but that is attention, publicity and I wish desperately that our President would agree.

A few comments on H.R. 90 and some of the programs that were proposed in that bill. I think the spirit of H.R. 90 was right and agrees with much of what I have said. However, I would add three caveats about H.R. 90. The first is that I believe that we do not have good delivery vehicles for retraining and adult education.

That money is not going to be effective if we don't have the delivery systems; unless the programs that we have for training adults and for retraining workers are not of the best quality. We can put more people through them, but that is not going to solve the problem if the programs themselves aren't good.

Second, I think that in the committee's deliberations on how to support schools and universities, more focus must be placed on the great middle of the market, not on the top schools. This is where the real problem is. Finally, I would urge you to make maximum use of the corporate sector in all your programs. Try to involve the corporate sector to the maximum extent possible.

I hope that the Committee will agree with me this problem of competitiveness is indeed a serious one. It affects not just our pride, but also our standard of living.

I hope you will agree that human resources is a central part of the problem, and is no longer just part of the social agenda. I urge the committee to propose some bold new programs. Incremental changes are not going to make a difference in solving this problem. Your committee has a truly awesome responsibility, because as I said earlier, I think the competitiveness problem will probably shape our economic agenda for decades ahead.

Your ability to effectively cope with this the areas of education, training and human resources represents the single biggest leverage point our Federal Government has to deal with the competitiveness problem. I am sure most of the commissioners on the President's Commission would agree.

Thank you, Mr. Chairman.

[An article by Dr. Michael E. Porter follows:]

OTHER VOICES

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BY MICHAEL E. PORTER

WHY U.S. BUSINESS IS FALLING BEHIND

The country is investing too little in the technology, facilities, and education it needs in today's markets.

Michael E. Porter is a professor at the Harvard Business School and was a member of the President's Commission on Industrial Competitiveness last year.

■ America's inability to compete in world markets, as President Reagan's Commission on Industrial Competitiveness reported just over a year ago, is the most serious challenge facing the U.S. The President received the commission's report politely and then turned to other business. Instead of making international competitiveness the new challenge for America, he has been celebrating the country's supposed comeback.

Yet much evidence leads to the disturbing conclusion that we are in a hollow recovery in which the foundation of future economic growth is being undermined instead of fortified. If one looks beyond the shortest run, the inescapable conclusion is that competitiveness may well be the pivotal economic issue for the rest of this century.

The sustained economic recovery, nine million new jobs, low inflation, and falling interest rates certainly seem encouraging. But a closer look at the performance of the economy suggests a strikingly different conclusion. Measures of underlying competitiveness are getting worse, not better, and the trend is not new.

The U.S. did not have a trade deficit in this century until 1972. The trade deficit has climbed with few interruptions ever since, even when the dollar was widely viewed as undervalued in the late Seventies. Low inflation is a symptom of the competitiveness problem, not a sign of success. Inflation is low because oil prices are falling and because of competitive pressure on U.S. industry. Price increases have become an endangered species.

Is job creation a good indicator of economic health? Some 168,000 jobs were lost in manufacturing last year. The vast majority of the new jobs in the U.S. have been in construction and in services such as retailing, wholesaling, finance, and government. These jobs, in areas not exposed to international competition, provide little comfort.

Interest rates have been cut in half since the recovery began, another contributor to the feeling of well-being. Falling interest rates have led to rising corporate indebtedness, but not to the sustained capital investment they were supposed to foster. Over 90% of the growth in capital spending since 1979 went for automobiles and office machinery, not production equipment. Orders for plants and equipment have been falling since last September.

Instead of investing at home, U.S. companies are stampeding offshore. Caterpillar, for example, now makes or buys well over 50% of its components and finished products abroad. U.S. companies are becoming second-class manufacturers and many are giving up instead of doing something about it.

Among the most straightforward measures of U.S. industrial competitiveness is inflation-adjusted wages. Real wages grew steadily from World War II until 1973. Since

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then they have fallen and the trend is still downward. In real terms average gross weekly earnings are at 1962 levels.

Most ominous of all, productivity growth has come to a halt. Productivity has risen less in this recovery than in any other since World War II, and it declined last year. Productivity growth is vital because it ultimately determines wages, profits, and living standards. The U.S. no longer is the world's most productive nation in several industries, including autos and machine tools, and the productivity gap is widening rapidly.

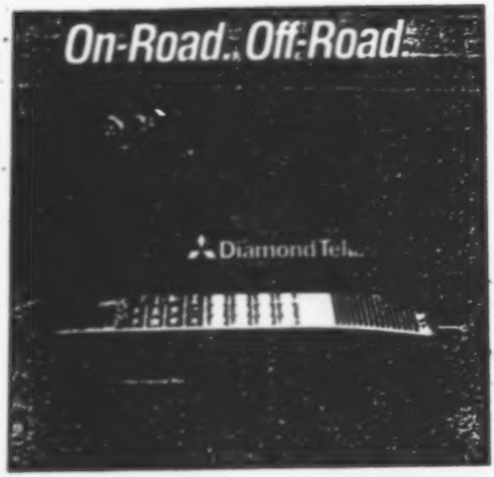
Unfortunately, the competitiveness problem does not fit the President's economic vision. The Administration seems to believe that U.S. industry is still preeminent. It preaches that current difficulties will be solved simply by getting government off the back of business and making a few adjustments in interest rates and the exchange value of the dollar.

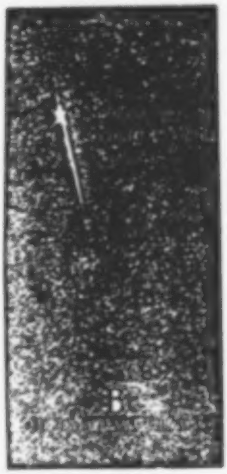
The Administration also seems to believe that the mere acknowledgement of a problem is the first step to greater government intervention in the economy, something it vehemently opposes. It seems convinced that even a discussion of the issue will open the door to an avalanche of wrong-headed policies.

CONGRESS, MEANWHILE, views for protectionist measures as the way to help businesses and workers that are losing out to foreign competitors. But Congress also has missed the point. The U.S. cannot solve its problems through protectionism or by opening up the Japanese market. Americans buy Japanese goods not just because they are cheap, but because many are more advanced and better made. The almost pathetic efforts of Japanese buying delegations to find U.S. products to take home illustrates the real problem. What did the Japanese come up with after scouring the U.S.? Oranges, wine, fondue sets, and air fresheners.

Timber, coal, and agricultural products may respond to the falling dollar. But important exports and imports such as machine tools, consumer electronics, and automobiles are much less price sensitive. A low dollar is not going to cover up lagging technology and inferior quality.

The U.S. will not solve the competitiveness problem until it again becomes the place where the most advanced, highest quality goods and services are produced by the most skilled workers using the most advanced





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The Reagan Administration's greatest failure is investing too little in future prosperity. It does not recognize that parts of the social agenda are vital to the economic agenda, just as Democrats often forget that economic success is vital to the social agenda.

methods. This is the reason the U.S. was the greatest economic power in the Forties, Fifties, and Sixties. The U.S. has no inherent right to the world's highest standard of living. A society must earn what it consumes. I believe that most American consumers, workers, and managers know in their guts that this is true.

Many of the remedies to these problems lie squarely in the private sector. U.S. companies have a lot of catching up to do in training, labor relations, quality control, and the introduction of new technology. Recent efforts are a start but are far from enough. Corporate research and development spending has risen, but spending by Japanese and German companies has risen more. Every manager, every employee, every trade association, and every labor union has a vital role in helping industry become preeminent again in productivity and technology. Business and labor have done themselves a disservice by blaming their troubles on outside forces and asking government to bail them out.

But government also has a role in solving the competitiveness problem. Getting off the back of business is not enough. Companies cannot succeed without the basic tools, the most educated work force, and the premier technological base. These require a social investment in the primary and secondary education system, in universities, in research institutes, and in the scientific establishment. No company or individual can afford to create these things. Government must do so.

The Reagan Administration's greatest failure has been in investing too little in America's future prosperity. It does not recognize that some parts of the social agenda are vital to the economic agenda, just as Democrats often forget that economic success is vital to achieving the social agenda.

Cutting back on education and training to reduce budget deficits is like tearing down

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VOICES

the house for firewood. "The result is that America does not make the first team compared with other countries in terms of math and science skills. The number of engineering graduates in the U.S. is inadequate. Even the facilities in U.S. schools and universities are subpar.

Federal civilian research has fallen in real terms since 1981, just as America has lost its technological lead in many areas. Total federal spending on research, including military outlays, was only 1.2% of GNP last year vs. 2.2% in 1964. Other nations spend a much higher percentage of GNP on civilian technology. We cannot forgo investment in human resources and technology in the name of budget cutting without sacrificing long-term economic growth.

THE FEDERAL GOVERNMENT also has lost its focus on capital investment, the third key ingredient of competitiveness. The tax reform legislation before the Senate will penalize investment when it is more vital than ever. Washington's ideas about tax reform seem to rest on the shaky hope that companies losing to foreign competitors can somehow pay a larger tax bill without slipping even further behind.

The federal government also has proved incapable of making real progress toward unsnarling the international trading system. Both Congress and the executive branch are plagued by overlapping authority and responsibilities in the trade area, the legacy of an era when trade was unimportant and U.S. companies had a commanding lead.

Finally, the U.S. must regain its will to be the best economically. The public and many corporations have developed a bunker mentality. The sense of economic opportunity has been lost, as if all the new products and services have already been invented and all human needs satisfied. Since the Japanese and Koreans make things cheaper, runs this despairing train of thought, America is doomed to a falling standard of living.

The truth is that the U.S. is in a period of unprecedented opportunity, driven by technological change that is reshaping old industries and creating new ones. The long-term health of the U.S. economy depends on its ability to lead these developments instead of playing catch-up. The American dream will continue if the country equips itself with the skills and technology it needs and recaptures the will to achieve." ■

Chairman HAWKINS. Thank you, Dr. Porter. I want to thank all the witnesses. You have done an excellent job. We could spend almost a full day with each of you. We have a vast number of members whom I am sure have been challenged by what you have said. We will try to enforce the 5-minute rule as strictly as possible. If so, we can get back to you a second time.

If there is any witness who has an urgent time problem, just let us know. We don't want to impose on you too much. Certainly, we will accommodate anyone who does have a time problem.

May I simply ask one question, although I have perhaps 100 of them. Both you, Mr. Doyle, and Mr. Oswald, I think, touched on labor management relations. It seems to me that the idea of cooperation between labor and management perhaps lies at the heart of many of our competitiveness problems. Plant closings and advance notice are related to labor-management cooperation concerns.

We pay lip service to the idea, but somehow never get around to agreeing on some successful models of cooperation that could be duplicated. It would seem to me that if there is the open communication that Mr. Doyle spoke about and recommended—that we would have a much better development of the idea now. Perhaps we might avoid many plant closings. A committee that could engage in those activities would perhaps reduce the amount of controversy there is over the idea of notification.

Plant closings indicate that the plant has failed both management and labor. Bringing labor and management together in such a relationship, where each would be completely aware of the problems of the company, and therefore knowledgeable of the company might well increase the productivity of the company and assure its competitiveness.

Is that something that we have not perfected? Should this committee explore this avenue? Do you have any specific models that you think we should attempt to encourage through some form of incentive?

Mr. Doyle, perhaps we might begin with you.

Mr. DOYLE. I think certainly the issue of labor management cooperation is quite directly at the heart of keeping an enterprise competitive and helping it adjust if, for all sorts of reasons, that fails. I do think we have to face the reality that some plant closings, for example, are inevitable.

There are some businesses that the change in the marketplace, the change in conditions of international competition will require us to make those changes. We have clearly found, both in the members of the CED that participated in the study and certainly in my own company that the more both the representatives of organized labor and the work forces as a whole know about what the business competitive conditions are, the better decisions we all make with regard to it.

We do end up with more competitive enterprises. We do clearly, I think, have all sorts of models that work for us very effectively. Most of those models involve the labor, both individually and collectively. The issue, I think, that is most difficult in putting together models is that in all the cases that were discussed and that came up several places in the testimony offered, ours is an enormously complex economy.

Every situation seems to be different, and I will tell you that even within our own company, dealing primarily with two or three major unions, we have trouble coming up with models that fit all our own decisions. So we end up with an enormous multiplicity of models, of things that work to aid competitiveness, to keep plants in operation, to allow us to win the productivity battle, to meet Dr. Porter's rigorous definition, the only one I think that counts, and yet they are so diversified that one of the things I find great difficulty in is to do more than offer a menu from which individual companies and individual unions and workers can find the one that fits them best.

To try and develop some small group of specific models that must be adopted, I think, is going to be too rigid and not facing the realities of how diverse the problem is down at the working level.

Chairman HAWKINS. Mr. Oswald, would you respond?

Mr. OSWALD. I agree with Mr. Doyle in that I don't think there is one model. There are many different models, and as one looks abroad, one can see in Germany the various different aspects even there of co-determination of their so-called "metperstemumb," the ways in which they do try to involve a much more effective joint program.

One sees different things, policies in different countries. But I think as one looks in the United States, there is one major element that becomes clearer and clearer as one looks at what is happening in labor management cooperation. That is that many employers have taken two severely different paths. One path has been to encourage active cooperation with their workers through their unions in terms of achieving improved communication, improved involvement of the workers in all aspects of the work force.

But there is another group of employers who have taken the exact opposite course, whose course is to try and prevent their workers from forming and joining unions, to prevent their workers from having a say in that operation, and in that sense, to try to thwart the 1935 Wagner Act, the Taft-Hartley Act, and all the public policy we have said is an essential part to provide workers with that democratic participation that we think provides the mechanism for resolving disputes, for increasing productivity, for making people a greater part in that element.

I would like to also touch on one other element that Bill Spring raised that emphasizes an important aspect of how to make that activity on a cooperative basis work. That is to provide the basic information so that the parties at the table have the ability to look at the problems that impede competitiveness; that all the parties have enough information as to the various cost elements, the various factors that enter in, so that those issues are shared with the workers, that they are not kept by one management person here or there who somehow thinks that gives them some sort of proprietary power.

It is the sharing of the information as is the sharing of the answers that tends to increase competitiveness, and if there is one thing I would say that the committee can do, it is to review how it can make the Wagner Act's promise to work better to encourage collective bargaining so we can encourage worker participation in a truly effective way.

Chairman HAWKINS. The chair will, before yielding to Mr. Jeffords, make one announcement to some of the members who may be leaving. We have just confirmed that Secretary Brock will appear before the committee on Thursday, February 19. At that time he will present the administration's displaced worker plan to the Committee We will have the opportunity of discussing the proposal with him.

Mr. Jeffords?

Mr. JEFFORDS. Thank you, Mr. Chairman.

First of all, I would like to commend you all on excellent statements. I wish, as the chairman stated, we had more time to meet individually with each of you. I would certainly agree with Professor Porter, that this committee has an incredible role to play in trying to find solutions, but I would say that as frightening as the 5-minute rule is right now, even more awesome is the schedule the speaker has given to us.

We have until April 8 to find all these innovative and bold programs, to figure out how to fund them, and have them out of Committee and to the floor by May. If you think we are going to do all that, I am reluctant to agree with you.

I would also like to thank Frank Doyle as well as the labor representatives for the work they did on the Brock Task Force in dealing with some of the problems that we have to deal with in the changing work force. You have been immensely helpful to us. I would like to focus my attention on the broader role of this committee. That is how we look towards the future and what we do in that respect.

I would agree with your definition of competitiveness. I would add one factor to it, which I think this committee has to focus its attention on. That is that it has the skilled sales force to sell the goods. I think we can produce the best goods in the world, but if we don't get off our duffs and learn how to compete in those markets which are evolving, we will relegate ourselves to a reduced standard of living regardless of how good our goods are.

I was discouraged this morning when talking to one younger member of our house, a Democrat, I would point out, who said our main goal is getting people to adjust to a lower standard of living. I think that is the wrong attitude to have in this country.

As we look to the future and look at the evolving markets like China and India, with populations over a billion who are giving us competition now because of their lower wages; we have to figure out how to get into those markets and take advantage of those things that we can produce that they can hopefully use. How can we take advantage of those markets so that we can improve our standard of living and not accept a reduction in that standard.

I would like to ask you to focus a little bit of attention as to whether or not there is a potential there. How can we take advantage of these evolving markets; how can we beat the competition of those seeking to take advantage of those markets, and how at the same time improve our competitiveness to maintain our ability to produce goods in this country? How can we compete with those people from the areas that have the lower wages?

I am also concerned about funding. I have added up the cost of trying to fund some of these programs. The ones we have we are just bringing up to speed. I count up to $5 billion on an annual basis to try to do some of these things.

In addition to that, we have serious problems with our pension programs. We have about $3 billion being dropped from the Pension Guarantee Program that comes from the trade and the steel industry. We can take care of that problem by increasing our taxes on our businesses now. As you take a look at the problem that is going on in the benefit programs, with decreasing participation, can we increase the responsibility?

We have some very serious problems there. Also, in other areas we need funds in research and development. We had university testimony on that. I would ask you as to whether or not you would agree that there is a hope here? I think it is important to get the nation's attention.

I think we would do better by talking about standard of living than we do competitiveness. We have to increase the awareness of the danger that our workers and our people are faced with rather than some trade deficit thing which doesn't mean too much.

I would appreciate any comments you may have on how to think positive and take advantage of those problems, Mr. Doyle.

Mr. DOYLE. As you know, Mr. Jeffords, I am substantially more optimistic in regard to this debate. I don't think we have to face a period of declining living standard. I think even if you look at the statistics that go back and study what has happened to real compensation in the United States, it is more encouraging than if you focus on wages alone. When you put in such things as increased benefit, profit sharing and the like, though we have not been making good progress, we certainly haven't been on the decline as some of the more pessimistic views would say.

With respect to your second observation, that is the aggressive development of markets, I do think that is an enormous opportunity. We have a major locomotive factory in Erie, Pennsylvania that would be closed today if it were not for our sale of locomotives into China, producing over 200 locomotives last year while the U.S. market had less than 50.

There are opportunities in developing nations and I think a lot of the technologies and a lot of the products and the product quality levels that the U.S. offers can penetrate those markets. We have to go sell in them, however. We cannot wait for them to come to our doorstep.

If there are deficiencies that American management has had I think they are in that area. When the Japanese come to sell here they come speaking our language. When we go to sell there we go speaking English. There are manifestations of our not going after those markets.

But we do bring enormous advantages in the kinds of product, I think, that are going to make the difference going forward. There are products dependent on open communication, rapid change which depends on flexibility, there are capital-intensive things which depend on stability and all of those factors, I think, are very clearly present in the U.S. economy and I at least look forward to saying, having gotten the severe jolt that we have gotten over the past decade, that there are many innate strengths in the makeup of our work force, our high labor participation rates, our ability to adapt, all of which say if you look at what is going to be a winning productive strategy going forward, that is going to be key to a lot of things that we are very good at and in many cases, I think that even our most aggressive trading competitors, the Japanese and others, are beginning to feel the burden of the inflexibilities they have built into their system.

I think that at least from a policy point of view it is important that we don't build inflexibilities into our system at the very moment when adaptability and flexibility is going to be a major competitive asset.

Mr. **Oswald**. I would like to comment. I think the country faces a much bigger crisis though than Mr. Doyle paints. Dr. Porter talked about the trade deficit since 1971 and those were trade deficits that were running up until 1981 in the neighborhood of $30 billion or less. Last year it was 5 times that great, it was $170 billion. This country was a creditor nation with all other countries up until two years ago. In that short period of time, we have become the world's biggest debtor country, in the third quarter last year we owed $256 billion to others, and at the rate we are going, we will be owing if we continue at the same rate, $800 or $900 billion by the end of this decade in 2 or 3 years.

That money will then be paid out to foreigners in interest payments, other things that will continue to reduce the standard of living in this country unless we turn around the big trade deficit. We cannot continue to live off of borrowed money to quote "maintain the current spending pattern".

We do need to raise and address the problems. Exports have declined by 2 percent in the last 5 years while imports have increased 50 percent. Part of it is policies of other countries. As Latin American countries became debtors, we no longer had surpluses with them and the IMF said, import less and that meant import less from the United States, and export more to the United States to pay off the banks.

Those were very mercantile arrangements to meet a dollar flow problem that they had. That was not free trade.

The problems with a number of our countries are not "free trade" problems, they are mercantile issues under which they address their particular advantage and even some of our firms. Their interest is how do they make the fastest profit. If that means investing their capital that they earned here somewhere else, they will make that investment in order to quote "protect" their long-term profitability.

That may not be the fastest way to employ that capital in the U.S. and in U.S. workers. So one needs to look at a vast myriad of elements that contribute to what I believe is a very, very serious crisis at this time, that has changed rapidly from where we were five years ago.

Chairman **Hawkins**. We will allow the other witnesses to respond to the same question.

Mr. Williams.

Mr. **Williams**. Thank you, Mr. Chairman.

Mr. Porter, in your remarks to us you mentioned the increase in the number of new jobs over the past several years. That increase of course is relative to increases during other four-year periods. I want to, if I may just make my own extension of your remarks by noting that during the previous four years to this Administration, that is during the Carter years, there were 10,600,000 new jobs created in the United States. In the first four years of the Reagan Administration, there were 5,700,000, about half as many as in the four years of Jimmy Carter's time, which we refer to as the economic bad old days.

Now we are six years, two months into the Reagan Administration and despite all the talk about new jobs, we have still in those six years and two months not created as many jobs as we did under the four years of the Carter Administration and furthermore, 60 percent of the new jobs that have been created pay $7,500 a year less than those earlier jobs created.

I do want to commend Mr. Porter, you are almost a lone voice, we seldom hear it either on this committee or my other committee, the Budget Committee, in calling for a national strategy, including in education perhaps, if we are in fact going to compete.

I think you will agree and may want to comment some on my supposition that other countries with whom we find the competition the most fierce have both national economic and education strategies, and in large part it is those stable, firm strategies which are helping to bury us in trade because we have this very diffuse local strategy.

We have thousands and thousands of strategies trying to compete with the one strategy that our competitors have.

Mr. PORTER. Well, if I could comment on that briefly.

I think that the comparison of job creation in the recent recovery to the Carter Administration is a telling one, however I would say that even if we look at the Carter Administration we should look very carefully at what those jobs are that are created.

I think sometimes that gives us different signals about competitiveness and I would argue that what we are looking for in this country is evidence that we are creating jobs that are highly productive jobs, that support high wages, and that provide satisfying work.

I guess my comment in my testimony was that perhaps many of the jobs that have been created recently are not particularly a reflection of that, but a reflection of a broader set of issues which I discussed.

You mentioned the fact that a number of countries have had very strong and explicit national strategies and that that has been an important part of their success. I certainly believe that this is true, that there have been a number of countries, particularly Japan and more recently Korea, that have had very effective national strategies, very explicit ones.

However, I would call the committee's attention to other countries like Germany, for example, and even Italy. Who would say that Italy has an effective government policy for anything? Probably nobody would say that. It is a chaotic situation. The government isn't very effective in Italy, yet Italy has been a tremendous powerhouse of growth in exports in the last decade. Germany is relatively free trade. There is relatively little government intervention in the German economy.

The term national strategy means a lot of different things. In Germany the national strategy is more focused on the educational system and the scientific establishment and less on sort of the notions of Japanese targeting and so forth. You see very little of that in Germany. In Italy you see chaos and out of chaos comes motivated people who own their own companies, who are well educated and are well motivated, and you have success.

So I caution that the Japanese or Korean examples are not the only models of national strategy. I believe the most important elements of national strategy for this country are to improve the quality of the human resources and business environment in which our firms operate. That means education, that means training, that means R&D funding, that means having an effective spokesman for the trade position of the U.S. I think by the way, we have been outnegotiated and out-foxed at every turn, because other nations are much more sophisticated than we are in playing the trading system to their advantage.

I don't think, however, that a national strategy needs to involve explicit focus on particular industries. I think the French case, for example, shows that targeting does not always work well. The French have not succeeded at targeting despite the fact that they are relatively clever people.

Mr. **WILLIAMS**. Mr. Porter, if I may, let me hopefully not too rudely interrupt you there because I want to, I don't want to extend my time. I want to ask Mr. Doyle, I see a line in this book which you presented us, entitled "Work and Change". I want to take exception with it, not necessarily just with you but with every group or person that comes here and knows this, I take exception with it. The line is on page 50 and it says not too long ago massive public spending was considered an antidote to social problems.

Not true. Not true.

I don't know of a Member of this Congress or past Congresses, most of whom I was not acquainted but as you were a congressional watcher, I don't know a single Member that believed you could solve America's problems by throwing money at it.

In the history of particularly this committee, in the past 25 years it has been one of not trying to solve problems by throwing money at it, but by trying to innovate. That is how we developed Pell grants, Head Start, guaranteed student loans, vocational education programs, many of which exist today. Adult education provides basic skills.

If the Congress believed you could solve problems by throwing money at it, then we would not have allowed a situation to exist such as a Head Start program that works very well by everyone's definition and yet, 80 percent of the children available for it in this country cannot get in because we have not spent enough money on it.

Then we have the Job Corps program which by everybody's estimation works very well, and yet 95 percent of the young people eligible for work in this country cannot get in. Why? Because we don't use money as the aptitude. Sixty-six percent of the unemployed people in this country as has been pointed out by a member of your panel, are not eligible to receive unemployment benefits.

Why? Because the public won't throw enough money at it and their representatives agree with that.

So I just want to try to make that case every opportunity I have.

Mr. **Doyle**. If I may, while I am first encouraged that your disagreement arrived on page 50, and secondly, I think Congressman, if you note the thrust of that section on public policy, it really did not argue that we should stop or that all things had failed or, as a matter of fact, I think the whole thrust of the report is that we did call for your policy initiatives. We were concerned that the fact of disillusionment, I think the joking reference to CETA being a four-letter word captures that kind of disillusionment and what we were arguing was that that disillusionment should not cause us to now paralyze with regard to policies that might be found, so we would not be in that situation; that is the thrust of the CED report, or your comments.

As far as industrial strategy I would subscribe to Dr. Porter's comments. With respect to educational strategy, I think there is a chance.

Chairman **Hawkins**. If the gentleman would yield let me add that CED did advocate spending more money on Head Start and other programs. I commend them on this.

Mr. **Spring**. Just in terms of a brief response to Mr. Williams' question, if I may.

Chairman **Hawkins**. His time has expired, but we will be liberal.

Mr. **Spring**. Mr. Williams, when you were asking about national policies, especially in the education arena, I think this committee would want to note that even Margaret Thatcher's England is devoting a billion pounds a year to providing now two years of employment and on the job instruction to all school leavers not going on to higher education. In Germany, Mr. Porter knows, there is a dual apprenticeship system where half the age cohort spends 2 or 3 years working on the job going to vocational schools part-time; both programs justified nationally primarily on the basis of international competition and social solidarity. But I think that this committee has an opportunity in the education training area to shape a national policy which is appropriate for our continental size country but still has the accountability program by program, and assures that 60 percent of our young people who do not go to college at least initially, that there is something available for them in the transition to work and to learning on the job so they are equipped to earn the high wages in the productive jobs which we hoped the supply-side of the labor market will provide.

Mr. **Williams**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Mr. Bartlett.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Like all members of this committee, I have a series of questions given this both fascinating and premier subject for beginning this session. I will begin with one and pass along for the second round.

On the subject of competitiveness, I would ask each of the witnesses to comment on this; there are a variety of legislative proposals that are floating around Capitol Hill outside the context of the trade bill, competitiveness or what have you but nevertheless may impact it. Those proposals are generally associated with fairly or unfairly with what one could loosely term the agenda of quote unquote, "organized labor".

My question is, and I want to offer a list of them and I would ask each of you to comment as to which——

Chairman **Hawkins**. If I may interrupt, Mr. Bartlett. Could we insofar as is possible ask the Members to direct a question at one or two of the members, because in five minutes no one of the witnesses will be able to respond responsibly. If you would, limit the question to one or two of the witnesses, and you will have a chance to get another one in.

Mr. **Bartlett**. This would be to Mr. Oswald and Dr. Porter then, and the proposals that I would ask you to comment on, is vis-a-vis their impact on international competition, one would be the proposed restriction on plant closings or layoffs, particularly the mandatory advanced notice; the increase in minimum wage; indexing of minimum wage to manufacturing wage; additional mandated benefits, particularly the mandated benefit of parental leave or other item you may wish to comment on on that kind of agenda.

Dr. Porter or Mr. Oswald?

Mr. **Oswald**. In terms of plant closings, the detailed study that was made by the committee of the Secretary of Labor showed that advance notice was a most critical element in terms of providing retraining, education, adjustment and moving to other things. Most other advanced countries in Europe do have requirements of advance notice. Advance notice is something that is done internally for the plant's own planning in terms of how it is going to proceed. We believe that it is as important for the workers and the community to receive that same advance notice in order to do its planning to provide for the long-term development of those people.

In terms of an increase in minimum wage, I don't know of anyone that is talking about an increase in the minimum wage, I think people are talking about bringing the minimum wage back up to date to where it had always been in terms of providing a floor for workers.

Today it is only 38 percent of average hourly earnings, and traditionally it had been running approximately 52 or 53 percent for the total private economy.

Mr. **Bartlett**. I will let you continue to answer the question as you will but specifically if you could, my question is, and I understand there are some good and valid reasons for an increase in the minimum wage or for advance notice.

But my question is in your view, would any of these have a positive, negative or no effect on international competitiveness?

Mr. **Oswald**. As I indicated on plant closings, I thought it had a positive effect on plant closings because it improved productivity and plant capital and that affects competitiveness and productivity. If one looks at studies, it is productivity that is affected.

In terms of minimum wage adjustment, it means that it brings workers to totality of the economy. It provides them with the ability to both purchase and to produce on a more effective basis because it would mean that they are not left behind and left out. To that extent, I think it increases productivity.

In terms of parental leave, I think that what it does is it in essence says that we maintain that investment in human capital, that that person cannot take care of absolute needs that they have with a reasonable time period off without throwing that investment in human capital on the scrap heap and saying you have a problem at home with a child or a sick parent, we don't care about that investment, throw it away.

That is a big investment that we think is wasted in terms of competitiveness.

Mr. **Bartlett**. Mr. Porter?

Mr. **Porter**. I hasten to add that I am not an expert on any of these legislative proposals, but let me give you my very quick response. Advance notice of plant closings, I can only think of as a positive as long as there are no restrictions on plant closings, so long as companies are able to make the adjustments they need to make to deal with their competitive problems. The notion of advance notice to facilitate the adjustment, I think, is entirely desirable.

With respect to the increasing minimum wage and mandated benefits, I think that there are some legitimate social reasons for such policies. However, they cannot help competitiveness. They can only make it more difficult by raising the cost of labor cost by reducing the dispersion of labor in different occupations as appropriate to the skills involved. We might still as a society decide to adopt those programs, but adopting them will not bolster competitiveness.

Mr. **Bartlett**. Do you believe it would have a negative effect on competitiveness?

Mr. **Porter**. I would say it would be probably not an earth-shattering effect, but definitely in the negative direction.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Mr. Owens?

Mr. **Owens**. Mr. Chairman, I want to thank the members of the panel for a very stimulating presentation.

If I may, Mr. Chairman, I would like to ask four specific questions of each individual. If you don't have time to answer the questions, I will take the answer on the second go-round, if it hasn't been answered in a response to some other member.

Mr. Doyle, you mentioned the rapidity, that the economy is changing rapidly, and I would like for you to answer the question of what level of education do you think is needed by an individual in order to maintain employability in such a rapidly changing economy in order to be flexible and able to adapt?

What kind of education should we move towards as a goal for every individual that can be achieved, with the bottoms-up strategy you propose, where you want the schools individually to come forward with innovations and meet the problems. You are saying there shouldn't be any massive Federal Government or Federal investment.

I would like to know how you are going to achieve that level that is needed, especially in the area of languages that you also mentioned as having a need. Local schools won't decide that they can teach Japanese or Chinese if they do decide they are not going to be able to find teachers, without having a better pool of people, which has to be created with some Federal investment, it seems to me.

Mr. Spring, I would like to know, you mentioned some very successful programs here and there, and certainly in Boston you have been very successful—but, I think, Boston is probably the only urban area where you would have a 1 percent differential between the employment situation with respect to young blacks and young whites. You are the only one.

The kind of tokenism you mention is gratifying to see, but do you have any proposals of how we can go beyond tokenism, by putting some investment, Federal Government behind those programs which are successful.

Mr. Doyle——

Chairman **Hawkins**. If we could have those two answered first, because I think it will be into Mr. Hayes's time by the time those two are answered.

Mr. **Owens**. They overlap.

Mr. Doyle talked about the unemployment situation as being very destructive because these people are not producing. They are not going to be able to buy anything.

Unemployment is at 7 percent, accepted at 7 percent in time of relative prosperity and we may double that figure in a relative downturn.

What is effect on the economy of that?

Finally, to Mr. Porter, I would also overlap, you say education is on the frontline and you say we need massive innovative programs. In your approach to the top level people in Korea, for example, how many languages did the management people speak, in addition to the other question you asked, that you note they spoke several different languages.

Mr. Doyle, would you start?

Mr. **Doyle**. Yes, as quickly as I can. Certainly it is hard to put a specific level of education. Every indication that we can get is that the higher the educational attainment of the individual, the more likely they are to have good jobs, to be re-employed if they are displaced.

Every single factor ties productivity and adaptability to educational levels.

So clearly——

Mr. **Owens**. You think Federal money should be spent to make it possible for——

Mr. **Doyle**. Let me say this, and not answering directly, simply because I don't have the expertise.

I do think that a more pervasive problem is not that the educational system isn't there, but all too often people, the working workforce are not availing themselves of educational opportunities because we are not communicating effectively enough as to how important they are.

I would—would not rule out Federal funding if we found it necessary.

Mr. **Owens**. Including that there are Japanese and Chinese language courses out there if people would go forward and take them?

Mr. **Doyle**. Certainly not. But I would say there are more out there than there are folks willing to take them now.

Mr. **Owens**. The facts will bear that out.

Mr. Spring?

Mr. SPRING. Mr. Owens, we don't think of the Boston compact as being a token effort, certainly not in Boston. With help from the National Alliance of Businesses we have been to five or six other cities around the country, which are also very interested in trying to establish in their cities a program with a private sector commitment to providing jobs.

Mr. OWENS. Do you think they can do it by themselves, or do we need a Federal initiative?

Mr. SPRING. I think Federal assistance, incentives were very helpful, especially if you wanted to make this program general across the country. But let me warn you on one thing, you need to have the commitment by the local private sector.

It can't be done by government alone. In some ways that is challenging to this committee. A number of witnesses have talked about the need for spirit and commitment, and you have to find a way not to just have people filing applications for Federal dollars because the dollars are there, but really get genuine commitments from school systems and business communities to provide the access as well as the school based job service for those jobs.

But I believe the program is replicable at relatively modest cost, $40,000 per high school is the basic cost of it to the schools. The educational improvement is much, much tougher and will take a longer time.

Mr. OWENS. Thank you.

Chairman HAWKINS. We will try to get back to you.

Mr. Hayes?

Mr. HAYES. Mr. Chairman, thank you very much, but I will be very, very brief.

I want to commend you and the staff for having assembled such a diverse group of panelists. I have made my own distinctions as to each one of them, I guess. I think I am correct.

One represents the industries; one represents labor; one represents the academic field; and another represents the financial field—all tied in with the competitiveness area so far as improving our economy.

Needless to say, I have some difference in opinion given my own background, and I must ask, however, Mr. Doyle, and I think, Mr. Spring, what is your opinion? Do you support, are you for or against H.R. 90?

Mr. DOYLE. I will step back from that simply on the fact that the CED views itself as an educational institution and not one that enters into that kind of, by its own group rules, that debate. So I will bypass the question as a member of this panel today.

I will be glad to discuss it with you, Congressman, obviously in another forum.

Mr. SPRING. Congressman Hayes, given this is an all-white male panel, I appreciate——

Mr. HAYES. That is easy to see.

Mr. SPRING. Your perception of diversity among us, I think, shows a broadness of view on your part which we appreciate. You could have picked another angle of commenting on the makeup of the panel.

I also, however, have to say that as a person who works in the Federal Reserve System, we don't take positions on legislation because, as I said in my testimony, I think a number of the concepts in H.R. 90 are very attractive especially those dealing with encouraging joint labor-management approaches at the plant level that look at industry-wide problems and which recognize the severity of the difficulty we are working with.

My overall recommendation is that, if anything, the legislation isn't broad enough in its conceptual approach. And Mr. Jeffords raised the dilemma this committee faces of having to do something very quickly on the House calendar, and you might want to take a longer view of these deeper problems and consider longer range deliberations and approaches.

Mr. DOYLE. I will, if I may, if you are careful to look at our report it would suggest we do support many of the recommendations in H.R. 90. We disagree with others.

Mr. HAYES. Mr. Oswald, as you well know the textile industry, the shoe industry and much of the steel industry and part of the meat industry is longing, those jobs are gone. Improving our competitiveness is not the only way I think that we will recoup some of those jobs, although I am all for it.

Also, retraining people, who have been displaced as a result of consolidations, close downs and all those kind of approaches going on, the question is when you retrain them where do you place them?

Mr. OSWALD. If you don't have a job you cannot retrain them. As Congressman Owens pointed out, 7 percent unemployment now, we still have the equivalent of a recession. Unless we have policies that create jobs to reduce that level of unemployment substantially, training in and of itself doesn't create jobs, it helps people be able to fill jobs that are available, so one needs to have policies that both encourage job creation as well as training.

Mr. HAYES. The motive of profit has something to do with loss of certain jobs, particularly to overseas? Investment of American dollars overseas?

Mr. OSWALD. Clearly as I indicated earlier many firms are investing overseas. Capital is mobile. It can move anywhere around the world to achieve the quickest profit. Labor is not mobile. Labor is in this country or in whatever country it is in and there it seeks to earn its living.

Capital seeks to earn the highest return anywhere. Labor seeks to earn its return here from its productive capability in this country.

Mr. HAYES. Dr. Porter, in your travels do you see the profit as one of the motives attracting overseas investment, particularly as some charge due to higher labor costs in this country to produce goods?

Mr. PORTER. I would like to take that question, Congressman, to a broader level. I would say two things. First of all, we have a massive flow of foreign capital into the United States. Some of it to acquire U.S. firms and to build plants in the U.S. and employ U.S. workers, and that is presumably going to benefit employment in the U.S. The issue then is do we care if those are U.S. firms that are operating those facilities or whether they are foreign firms.

You can turn that question around, do we care if U.S. firms invest abroad or only invest in the United States?

Let me very briefly talk about both questions. I think in the case of the second question, there is a real danger in viewing American companies as having different interests than the nation. I think that there is a tendency to bash companies for locating plants abroad when that is the only way they are going to have any business. There is a great tendency to try to impede firms struggling to improve their productivity, improve cost position and retain market positions and say that by investing abroad they are deserting America.

There is a sense in which that is true, but in the long run if we prevent firms from doing so they will not be in business. We cannot get into a situation where it is us against our companies.

The only way we will succeed in competitiveness is by providing the environment where our companies do whatever is necessary to retain that competitiveness.

Keeping them from doing that is not going to produce a victory. We can keep a lot of GM plants operating in the U.S. because GM cannot invest overseas, but that will not help GM solve their problems.

As to whether we care about whether American or foreign companies running plants in the United States, I believe we do. If foreign companies are operating these plants, if they are bringing the know-how and capital to our country, the return on that capital will flow abroad. The best jobs, the ones we really want, are going to be at headquarters—the innovative jobs, technical jobs, top level jobs.

So, I think we want our American companies to be strong, we want American companies to own those plants, we want American companies to succeed. If it takes some foreign investment by U.S. companies to do that, I think we should be cheering rather than trying to keep American companies from doing what is necessary to retain their competitiveness.

I would hope that this committee would not view there being a contest between American firms and American labor and the American public. I think we are all in this together.

Mr. Hayes. Thank you, Mr. Chairman. I realize my time is gone.

Chairman Hawkins. Mr. Visclosky.

Mr. Visclosky. Mr. Oswald, on page 10 of your testimony you mention the Federal government has the responsibility to protect local communities against the consequences of plant shut downs and mass layoffs. In 60 seconds or less, could you explain to us how they might meet that responsibility?

Mr. Oswald. The major way would be to pass legislation requiring a plant to give advance notice as exists in many foreign countries as has been attempted in some states, but it is very difficult for the states to do it. We believe only the Federal Government can do it on an equitable basis.

Mr. Visclosky. Thank you very much.

Mr. Doyle, you mentioned in your testimony that, and I commend you for it, that we should look for ways to protect the health and life insurance coverage of workers. What would be your attitude towards having an add-on, if you will, to protection of health insurance benefits similar to this system set up for the Pension

Guarantee Corporation, especially for those in a retirement situation.

Mr. **Doyle**. Yes, I would support that kind of thing. One of the most devastating things that happens to a displaced worker or early retiree is loss of health insurance benefits. Again the cost tradeoffs will be very difficult ones for society to make. But in our assessment, the fear of change is quite frequently driven by the failure to provide some rudimentary and basic human coverage of that nature.

So we would in spite of our normal concern about added costs being baked into the system, that is one area that we think is worthy of consideration.

Mr. **Visclosky**. Thank you.

My last question I will direct to Mr. Spring and Dr. Porter; on page 7 of your testimony, Mr. Spring, you allude to the Irish program as far as the contribution for retraining. Is it perhaps time in our country where we have an educational guarantee corporation, if perhaps the government would assume part of the responsibility and employers and employees would, also. I note with some interest your remarks on the individual retirement accounts and some of the potential drawbacks, at least that you see in them.

My problem I guess, and I am new to the committee, is that we tend to be so specific we end up having a large number of programs as opposed to giving individuals some flexibility with the local institutions and programs. Is there a way we can work that out?

Mr. **Spring**. Well, I certainly hope there is a way to work it out, but I would not want to comment having heard your proposal for just a few moments, on how I see it. I think that this is a very—financing of training for workers is a very complex issue, but I do believe that there is room for innovative, maybe even bold policy in this area. I think that the Irish ANGCO technique in which all the firms in an industry pay in a relatively small amount which they get back if the training is not up to industry standards, is one way to think about it. I think the important principle is that the costs are going to be shared by the country as a whole, no matter where they come from, whether they are taxed in Washington, the state capitals, or paid for by individuals it is all American money in this international competitive situation.

The question is how to devise the system which would be perceived as fair and which draws in all the actors. One of the problems if you let Uncle Sam do it is you don't worry about the quality at the local level. I think such a system can be devised. I think there are several proposals for that.

Mr. **Visclosky**. Mr. Porter, would you have any comments?

Mr. **Porter**. In the interest of time, given the expertise of the other witnesses, I think I will use this opportunity to show one little chart.

The committee probably can't see this. What this chart does is it plots the amount of money that we have been spending at the Federal Government level on all the things that could be categorized as intellectual development: training, education, basic science since 1962.

I can go back further, if you would like. What you see from this chart is a couple of things. First of all, that we spend less than one-half of one percent of our GNP on these things. That is a tiny number.

The other thing you see is that since the Reagan Administration took office, the chart has been angling downward at a very steep rate and that we are now getting close to where we started at the beginning of the Kennedy Administration in terms of commitment, in terms of federal spending, on intellectual development.

Back to the early comment of Mr. Jeffords, I think we must invest more in this area, in this modern competitive world that we are competing in.

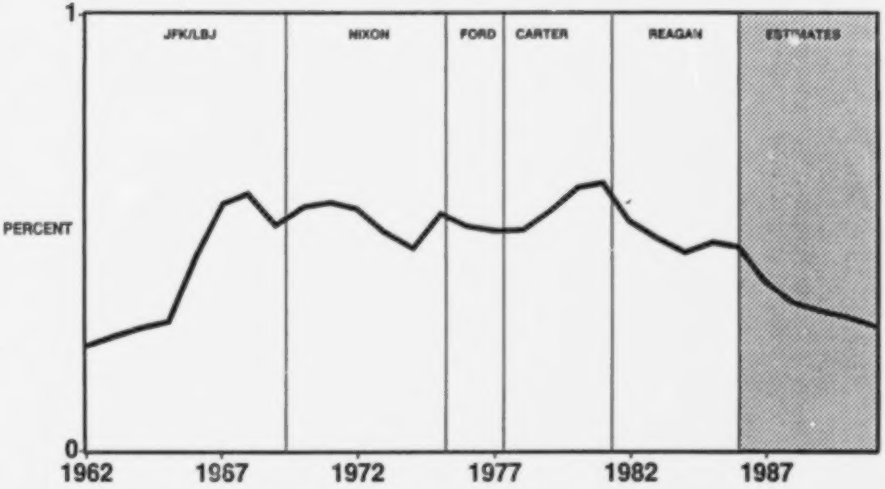
Mr. VISCLOSKY. Mr. Chairman, may I ask unanimous consent that Dr. Porter's photograph that he showed to the committee be entered as part of the record?

Chairman HAWKINS. The Chair was just going to ask Dr. Porter if he would share that chart with us. We will include it in the record at this point.

[The information follows:]

U.S. COMPETITIVENESS–GOVERNMENT SPENDING

FIGURE 44
OUTLAYS FOR GENERAL INTELLECTUAL DEVELOPMENT AS A PERCENTAGE OF GNP, 1962–1991



Source: Office of Management and Budget

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PROFESSOR

Copyright (c) [illegible] Michael L. Perry

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12:15- 12:45 [illegible]

EDUCATION 1
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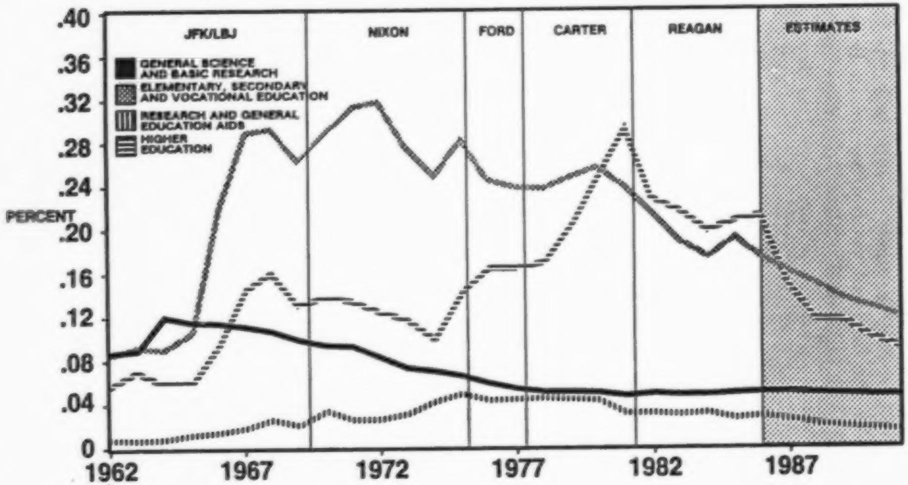
U.S. COMPETITIVENESS–GOVERNMENT SPENDING

FIGURE 45

OUTLAYS FOR SUBFUNCTIONS WHICH CONTRIBUTE TO GENERAL INTELLECTUAL DEVELOPMENT AS PERCENTAGES OF GNP, 1962–1991



Source: Office of Management and Budget

PROFESSOR MICHAEL PORTER

Chairman **Hawkins**. Thank you.

Mr. Ballenger, I overlooked you because you were out and came back. I recognize you now.

Mr. **Ballenger**. May I ask a question?

Chairman **Hawkins**. Yes.

Mr. **Ballenger**. I guess I am talking to Mr. Porter or Mr. Spring. On the basis of your program in Boston—I am from North Carolina. I am a manufacturer. I interview and hire people on a regular basis. We have a very difficult problem down there in the number of employees, people that come in to be employed, high school graduates, everything, that can't read or write. It is very difficult to train an employee for future jobs or anything.

Do you have this difficulty in Boston, and how do you handle it?

Mr. **Spring**. One of the reasons why the private sector in Boston got involved with this effort was their perception that there was a present problem, especially for young people seeking work, and a fairly short-term problem for them as to the composition of the entry-level age force.

It was changing, about a 25 percent decline in white young people coming along, a substantial increase in hispanic and black. There were 43 percent of people dropping out of school. Many of those who graduated were not at the level of reading capacity or mathematical capacity which they really hoped to find in an entry level worker.

I think it is our conclusion that we really must depend on the public education system to provide that education and that it requires both a willingness of the education system to hold itself accountable to provide quality education for all young people, as they do in Japan.

But it is a responsibility of the business community, the university community, the labor unions, foundation community to really rally around the school system, which is faced with a very difficult problem in a community like Boston which has a very substantial, very low income population. It may be true in parts of the Carolinas, as well.

The schools are going to have to do a substantially better job, and they are going to need substantial help in accomplishing it.

Yes, it is a problem in Boston. What we have found, however, is that those young people who will stay through 12 years of high school have by and large mastered sufficiently the basics to be employable.

It is like the Army requirement of a high school degree as a measure of whether you can use them in the Army. We are now talking about and thinking about some basic skill and other training on the job, which is something new for American firms to think about, something which I think in many cases or some cases is necessary.

Mr. **Ballenger**. Mr. Doyle raised his hand. I think General Electric has done something.

Mr. **Doyle**. I do think what I would endorse is as employers, we look at the twin forces of demographics and the increasing need for skill in the job content.

We put them together and forecast a period when we are going to have more good jobs available than we are going to have people qualified to do them.

At least in both economic and social terms, we see the commitment to basic education as being utterly critical and endorse the work of the committee in that regard.

Chairman **Hawkins**. Mr. Sawyer.

Mr. **Sawyer**. Thank you, Mr. Chairman.

The compassion of the Chairman and his patience is a good example of tenacity for a freshman. The questions I have I am going to direct at Mr. Spring largely because Boston serves as such a model to communities in this country in a very particular way, but I suspect all of you might have something to say on this.

Both of these questions arise out of the rapid change that the nation's productive capacity is undergoing both in terms of the character of production, the materials we use, and the products that we make.

The first is how we go about the business of accomplishing something that you just touched on for the first time just now, the use of the work place itself, not as the recipient of a new and better trained work force coming to it, but rather as the place where, throughout the course of a working career, worker retraining takes place in an organized way.

We just don't have enough educational plant in this country to move people in and out of the work force and retrain them.

The second point I think it goes along with the first one. We speak of higher levels of training and middle and lower levels of training, but, in fact, the character of the work place itself is beginning to reflect a substantial blur between traditional notions of blue and white collar employment and we need to adapt educational mechanisms to reflect that work.

I direct myself to Mr. Spring, but anyone may answer.

Mr. **Spring**. Congressman, let me start by saying the thing about division of responsibility and then what I think the two institutions, if you take organized schooling and the private sector employers as two diverse institutions.

First, it is clear that mastery of reading, math, reasoning skills, and of the American culture, basic historical documents, some sense of who you are must come out of the educational system.

If it does not come out of the educational system, then individuals and firms will find some other way, if they can.

Secondly, I think that skilled training with some very important exceptions probably ought to be done in private sector firms, but often in collaboration with vocational or community or other educational institutions for parallel training.

I think the process of trying to have the very latest equipment and the very latest trainers in a public vocational school to do the complete vocational job is really unmanagable.

Both Germany in its traditional apprenticeship program and the British in thinking through their youth training scheme I alluded to a moment ago have made this fundamental decision that specific skill training is best done in the plan, on a work situation, under work discipline, because there are many elements of characters and personal growth as well as skill acquisition which are really very difficult to simulate, as it were, in a public school setting.

American public education has been focused so sharply on getting young people into college that we have not taken the education of people of ordinary ability with the full seriousness the nation, its economy, and they and their families, of course, deserve.

If you talk to a principal or head master of an inner-city high school and ask them how they are doing, you will get the name of the girl who got into Brown or the young man who won a chess championship.

There is an upper west side school in Manhattan that is proud, half their young people go to college. Is that half the people who start as freshmen? No. That is half who graduated. Over 60 percent fail to graduate.

The focus of the education system is often so sharply on college opportunity that we do not pay sufficient attention.

It is understandable. If you look at black young men and women who have graduated from college, they are doing just as well economically in the first four or five years out as white young people. So, if you are black or hispanic, getting your kid into college is an enormously desirable thing. But the fact is that half our graduates don't go to college and at least 17, maybe 25 percent don't graduate from high school.

You are talking about well over half of each age cohort who is not college bound, initially, at least. For them, I think, we must really focus on what it takes to provide high quality education to people who do not pick intellectual topics up as quickly as others.

After all, when we say somebody hasn't graduated from the sixth grade, it is that they haven't mastered sixth grade material as fast as everybody else. It doesn't mean they can't do it.

I think this requires a fundamental approach, a reform to education which we are only beginning to get a grip on, and which, when we compare ourselves with Japan or Germany, their educational system is the fundamental difference.

They have a higher level of average accomplishment and a much smaller level of people who don't master the basics than we do. I think we have to face that problem head on.

It has to be done, I think, in the school setting with support from the private sector and the university sector and the larger community.

Mr. **Sawyer**. Mr. Doyle?

Mr. **Doyle**. I would strongly support the premise that the basic education has to come from the public schooling system. Industry is really not equipped to do it. What industry is well equipped to do is skills training, and for our own needs, we do it. We do it because we have to do it.

I think there is an opportunity between those two where there can be some very effective joint efforts. We have two: one in Cincinnati, and the other in Louisville, Kentucky, where we have used a mechanism of training for our own needs on skills training and put together with the consortium of local smaller employers with some JTPA funding and Ohio State funding and are training many operators who are in scarce supply in that community and are getting 85 percent placement rates from that training.

I do think there are opportunities, as Bill mentions, to do some very exciting things between those two already covered areas, either poorly or well. We can't do basic training. We will do skills training for our own needs. There is an opportunity between the two.

Mr. **Oswald**. There is also an example of a number of unions and their apprenticeship skill training. They have regular upgrading arrangements. That is often one way in which small employers are benefited.

In many of the building trades areas, they are funded by contributions, something like five cents to ten cents an hour that provides funding both for the basic apprenticeship as well as for the continued upgrading for working on new materials, for new developments.

Some of the electricians do it with the new fiber optic means of communications and the new methods for electrical transmission that are very interesting in terms of a means of which a number of different employers then benefit from that upgrading arrangement as well as skilled workers.

Chairman **Hawkins**. Thank you. Thank you.

The Chair would like you to comment on one question at this time.

This committee is faced with the possibility of dealing with the Job Training Partnership Act, which is about the 15th or 20th training program I guess, that we have dealt with since the 1960's.

Apparently, there is some suggestion of abolishing even Title III, with a new proposal which we have not yet received.

I would like to, if possible, have any of the witnesses who are familiar with JTPA and who feel qualified to respond to address the question of whether the act itself should be changed, abolished, modified, or left alone.

I know, Mr. Doyle, you served on a task force. Did the task force, for example, conclude that Title III is not useful and, therefore that we should have a new training program?

Mr. **Doyle**. Let me first speak to my personal view. That is, I think the mechanisms of JTPA, putting together business, labor, and the public sector in this area, has been an extremely useful one.

I would support the continuation of JTPA, particularly Title III.

Our observation with regard to its operation, however, is that we found that the reaction time on JTPA Title III programs was too slow and that we at least recommended in the task force study that the JPTA monies be incorporated into a more rapid response mode, not because we were dissatisfied with it, as such; we were dissatisfied with how rapidly it did respond to critical changes in the community work situation.

So, I would not align myself at all with those who are anxious to get rid of JTPA Title III. We think it can be very effectively used. If it can speed up its response within the context of JTPA, fine. If it needs to be put in a new mechanism, equally fine. Moneys should be applied. The need is real, and it should be responded to more rapidly.

Chairman **Hawkins**. Some of the proponents of the program say that we change so fast, then we have a new idea before they can even spend the money we give them; therefore, we get blamed for rapidly moving from one program to another before we even evaluate and strengthen it, or even seriously look at the program.

A year ago, I did not hear of this idea of abolishing Title III, for example. If it did not operate successfully, one would have thought that we would have had some evaluation of it by responsible agencies and, consequently, open it up for some modifications, if necessary.

Mr. **Doyle**. I think modification is necessary, hardly abolishment.

Chairman **Hawkins**. Bill?

Mr. **Spring**. Mr. Chairman, I would like to make a distinction between governance issues and operational issues.

You and I have soldiered together for a long, long time through many, many changes in the governance structure of the employment and training system.

Maybe it is because we have had such a positive experience in Boston, where our private industry council represents many of the major leaders, including William Etchely, who is a leader in the CED effort, who was the first founding chairman and, because we have strong business, strong university, strong public support, we were able to put together the Compact as a direct result of having that mechanism.

It just wasn't there in Boston. I believe that we now have the beginnings of a local labor market board, as it were, which we should be proud to have happened upon after 20 years of effort, and we should leave it alone, as a matter of governance.

Obviously, there is room for improvement in program. We have no money for stipends. We have no money for basic skills, a lot of difficulties. I think we have to approach changing the operational rules of the system very gingerly, though, because we, I think, in the 1960's and 1970's did face local operators with the presidential program of the month so often that the very bureaucratic arrangements became the enemy of quality programs. We can't afford to let that happen again. I think that is especially true of Title III.

Improvements, certainly. But I think the idea that we are going to abolish what we have got and do something brand new is such a painful echo of the past similar policies that it would be unwise for the system to take on that.

Chairman **Hawkins**. This committee has asked for improvement of Title III. The money has not been expended, even though it was appropriated. We did not get any suggestions of how to improve it.

Certainly, I am sure we are going to be faced with the suggestion that we abolish the program without having given an opportunity for PICs and others to recommend improvements.

Mr. **Spring**. I don't know what the Administration's proposals will be, but if you read Mr. Lovell's report, which I have read in draft, it seems on the whole they are constructive.

I think it seems to me there is plenty of room to move in the direction of more effective programs.

Chairman **Hawkins**. Dr. Porter?

Mr. **Porter**. Just, Mr. Chairman, to say briefly the Presidential Commission, although its report was issued roughly two years ago, was very much in support of the Job Training Partnerships Act, Title III, as a concept.

I can't comment on the specific implementation of the program. I would also note, perhaps gratuitously, that I don't believe this Administration has really had their heart in the whole notion of retraining. Therefore, perhaps the way this program has been managed and operated is partly a reflection of that.

Chairman **HAWKINS**. The President did hail the program in the Rose Garden as being the great program of the Administration. I don't know whether he has changed his mind or not or whether the Department of Labor has changed its position.

We thought that we gave him everything that he asked for, even though we stripped the program of some of the things that we wanted to see in it.

Rudy, do you care to comment?

Mr. **OSWALD**. I think it is important to build on Title III. There are things that I think become more evident. The need for faster reaction, I think, is by far the one single element that shows up in the importance of advanced notice, so that you can do the planning to get things done, the ability to get a rapid reaction team in that is skilled and knowledgeable, the importance of involvement of labor and management in terms of doing part of that program, and improving the way in which you can get the money to the people who need it.

We found that the reasons that were alleged that the money wasn't spent was not because there wasn't a need but that there were all sorts of barriers to spending the money.

The lack of adequate assurance to the States that they wouldn't be hit for refunds of the money, the problems of requiring certain State contributions that they were unclear what constituted contributions and other things, so that it was clear that the problem of not—and the ability of the Federal Government to take back some of the money and spend it elsewhere if the States to which it was allocated weren't going to use it.

I think they were all very crucial elements in terms of looking at how you can improve Title III to make it a more effective activity.

In addition, I would add that the stipends issue that Bill Spring mentioned, I think, were important things one needs to look at.

The proposals of the Secretary's committee talked about encouraging States to allow unemployment insurance for people while they were undergoing training is one type of stipend.

In H.R. 90, you have the proposal that people who are in terms of longer term training programs, and I think one of the problems has been because of the lack of stipends, an important emphasis is on short-term programs.

H.R. 90 would extend that period for when people are not getting either trade adjustments assistance or unemployment insurance, they would receive some stipend so they could continue a training program.

I think those are all important things that one can build into making that worker adjustment program really accomplish what we had hoped that it would accomplish in the first place.

Chairman **HAWKINS**. Mr. Ballenger?

Mr. **BALLENGER**. No further questions.

Chairman **Hawkins**. Mr. Owens?

Mr. **Owens**. One question, Mr. Chairman.

Before I ask my question, I want to note that the statement was made by Mr. Oswald that productivity is greater—American workers' productivity is far greater than others.

Someone else on the panel said just the opposite, that productivity of American workers is far less than our major competitors in the free world.

Was I right? There was somebody who did say that? Was there disagreement on that? Did everybody agree with Mr. Oswald our workers are far more productive than other workers among our competitors? You disagree?

Mr. **Porter**. I would disagree. In terms of the average productivity of the entire work force, if you take all sectors of the economy, retailing, construction, manufacturing, together, the U.S. still clings, I think, to a lead. Other countries have been narrowing the gap in average productivity. When you look at particular industries, in manufacturing, notably, you see many striking cases where the U.S. productivity is substantially less than other countries.

Mr. **Owens**. Overall, our workers are more productive?

Mr. **Porter**. Our average productivity over the entire economy is still higher, yes, but in those parts of the economy that are most exposed to international competition, like manufacturing, the answer is frequently no.

Mr. **Owens**. Mr. Doyle?

Mr. **Doyle**. Again, I think the answer is even more complex. In absolute terms, I think we are slightly more productive, measured overall. In the rate of change, we are falling behind. And yet, I think those gross numbers are not really terribly significant and I would only add one thing to Dr. Porter's observation.

That is there are some manufacturing industries where we are far less productive. There are some manufacturing industries where we are very substantially more productive than anywhere else in the world.

So, what you have is a highly differentiated sector-specific kind of productivity issue, and to try and address it in broad terms is very, very difficult.

Mr. **Owens**. That relates to my basic question that I will address to Mr. Porter, although anybody else can answer it.

When I asked the question about how many languages did the corporate leaders in Korea speak, it wasn't a trivial question. It was a question of merit among the management. What would be the comparison of Ph.D's in American corporations versus corporations in Korea?

That is an interesting question. Do they have sort of an informal meritocracy? People are really preparing themselves. That is a factor in their being able to be more competitive.

I have heard regardless of what is said about the productivity, I have heard since I went to Harvard when I was first elected in 1982 to learn how to be a Congressman, they teach that in a week up there.

Speaker after speaker came in to talk to the newly elected Congressmen about how high wages were destroying our economy. You talked about the need to get away from corporate bashing. I have heard for the last four years labor bashing, bashing of the workers again and again about how high wages, how productivity, are destroying the economy.

Mr. Doyle addressed himself to the issue. He said compensation is a major item we have to look at if we want to be more competitive. Compensation for whom? The workers? Or compensation for the management? Does our management merit the kind of pay they receive, the kind of compensation they receive? Do we stack up? How do we stack up against our competitors in terms of the quality of our management?

Also, relating to that question is the question of you said we must adjust to a lower standard of living, or we are already adjusting to a lower standard of living, as if it is inevitable.

Does it include everybody? Is your management paid on a—adjusting to a lower standard of living? Are the rates of compensation for management going down at the same time the rates are going down for workers? What about the yuppie class? Aren't they benefiting greatly from the present situation?

Are the financial world, the Ivan Boesky's? How does that impact, the fact that there are several different classes or perhaps—they are perhaps draining capital out of the economy, being paid excessive wages, excessive compensation, while the worker is being driven down to the level of the world's standard? What is the impact?

Mr. **Porter**. Let me try in just a few words to address some of those issues.

First, I think that pound for pound, there is more education in the top management of this leading Korean company than in any American company I have seen, with the possible exception of a few of the drug companies where you have a lot of medical doctors and Ph.D's on the board.

I think that reflects the view in many Korean companies the only way they will pull themselves up is through education, training, and advanced degrees.

As for how many languages those managers could speak, they all spoke Korean; they all spoke English; and most of them spoke either Japanese or Chinese. I would say they would be the average, some even more.

Now you raised a broader series of questions after that. Let me say that my testimony, Congressman, was that America is adjusting to a lower standard of living, but I very much want to make it clear that I don't think we want to or should set that as our goal. My point was it is already happening.

Mr. **Owens**. American workers, the American financial community? Advertising people? Does everybody adjust to that? Just the wage earners?

Mr. **Porter**. I don't believe so. I think the places in the economy that are adjusting to a lower standard of living are those places most exposed to international competition.

The financial sector, by and large, has not been impacted. The advertising sector, by and large, has not been impacted, nor has the retail sector. The places where the tough adjustments are taking place is in the parts that are exposed. I think that management salaries and bonuses have been impacted, as have workers' salaries.

There are not good statistics on who has been hurt, who has taken more of a cut, workers or managers. I think the answer is, both have. It is not clear from the data what the relative amounts are.

Coming back to something somebody else said, I am hopeful that we don't have to solve our competitiveness problem by reducing the dollar and reducing wages or reducing salaries. That is the worst possible way to solve the problem.

The best way to solve the problem is to deal with the underlying cause, which is in no small part your committee's agenda. We need better education, better training. We need to reverse the decline in spending on intellectual development. We need to do everything we can, to get at the underlying cause. There is no inevitability to this declining standard of living, none at all.

But Britain's case shows us that if we let wages slowly adjust that it can go on for 50 years. At the end of 50 years we will look up and see we are no longer an industrial power.

Mr. **Owens**. There must be creative massive federal intervention?

Mr. **Porter**. I don't think there should be massive government intervention. Government has an important role in a number of areas. One, education and training; two, investment in science and the scientific establishment, much of which is conducted through the university system, again, which is part of your agenda; three, improving the hodge-podge of mechanisms through which we are managing the international trading system. We have overlapping authority. We have no strong leadership in negotiations with foreign nations. Our negotiators are out-negotiated time and time again. The government has a role.

Mr. **Owens**. So we are lacking in the area of negotiators also?

Mr. **Porter**. We sure are.

Mr. **Owens**. Thank you.

Chairman **Hawkins**. Well, we have exhausted ourselves, if not our witnesses.

Mr. Penny has come in. Mr. Penny?

Mr. **Penny**. Mr. Chairman, I am fine. I apologize. I have had one of those conflicts that occur too often around here; that is, two subcommittees with two important hearings at the exact same time.

We had a wheat disaster in the mid-West, and the Wheat, Corn and Feed Grains Subcommittee this morning has been listening to farmers and others testify as to how they think we can help remedy that situation within current budget—within the amount of money that is currently available in the budget, and that took up a good chunk of my time.

I apologize for not being here to listen to the testimony. We do have the testimony submitted in writing. I will review that.

Again, I want to thank this distinguished panel for helping our committee focus on this important issue.

Chairman **Hawkins**. The Chair will advise any of the members who do have questions that they can submit them to the Chair. We will direct them in writing to the members of the panel and ask them if they will respond to the questions. In that way, I think we can facilitate additional questions.

The witnesses have been so good that they have aroused us and challenged us, in many fields. We will have this continuing communication, I hope, to again obtain the expertise of the witnesses.

The Chair would like to commend the witnesses. This has been an excellent hearing. It certainly is the quality of the hearings that we hope to continue to have, and words can not really express the appreciation the Committee has for the contributions made by the witnesses.

With that, we wish to thank you. That concludes the hearing.

[Whereupon, at 12:45 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS

THURSDAY, FEBRUARY 19, 1987

House of Representatives,
Committee on Education and Labor,
Washington, DC.

The committee met, pursuant to call, at 9:35 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins [chairman of the committee] presiding.

Members Present: Representatives Hawkins, Ford, Murphy, Kildee, Martinez, Owens, Hayes, Perkins, Sawyer, Wise, Penny, Richardson, Visclosky, Jontz, Jeffords, Goodling, Petri, Roukema, Gunderson, Bartlett, Tauke, Henry, Grandy, Ballenger, Pease.

Staff present: Carole Stringer, legislative analyst; Eugene F. Sofer, budget analyst; Beth Buehlmann, education staff director, minority; and Daniel V. Yager, minority counsel.

Chairman Hawkins. The Committee on Education and Labor is called to order.

The hearing today is a continuation of the hearing on H.R. 90. Because of the time constraints, the Chair will forego a rather lengthy statement. Without objection, the statement will be entered in the record.

[The opening statement of Chairman Augustus F. Hawkins follows:]

Statement of Education and Labor Committee Chairman Augustus Hawkins on Dislocated Workers February 19, 1987

I would like to welcome the Secretary of Labor and thank him for joining us to outline the Department's proposal on dislocated workers. Mr. Secretary you are to be commended for your efforts in presenting us with a thoughtful and genuine attempt to deal with the severe dislocation problem affecting workers in virtually every part of the nation and in many industries.

My home state of California, the sun belt and the farm states are no longer immune from what many considered to be a rust belt or northeastern dilemma 10 years ago. One of the states facing a severe dislocation problem is North Carolina, not an area one would think of as being in trouble.

Ever since I came to the Congress, I have been fighting for a comprehensive, coordinated and permanent employment and training policy—not a program created on the spur of the moment just because the issue was politically popular.

It is the Federal government's responsibility—in cooperation with labor and business and local governments—to insure that opportunities are provided for the unemployed to receive the necessary education and training to allow them to perform at their highest level of skill and to see to it that job opportunities are generated for them to adequately serve society to the best of their ability.

Last year, this Committee and the House of Representatives approved legislation to help America regain its competititive edge. We included vocational and literacy training provisions; math, science and foreign language improvement; provisions for employment and training assistance for workers, computerized job banks and demonstration programs on the feasibility of direct payment to workers for retraining.

We're not new to the devastating effect unemployment has on workers, their families and communities and neither are you Mr. Secretary. The proposal you will outline for us today shows great concern for the men and women who face the trauma of unemployment.

Between 1979 and 1984, more than 11 million Americans lost their jobs because of reduced demand, closures or technological changes. More than 1 million of these people have simply dropped out of the workforce—they are no longer counted among the unemployed. Half of the ones who have found jobs are earning much less money.

A radical restructuring of the American economy is continuing. Over the last five years, we have lost more than one half million high paying manufacturing and construction jobs.

It seems to me that as we discuss the problem of dislocated workers we are on the same road, Mr. Secretary. While we may differ here and there on some particular provisions, it is important for all of us to understand that we are going to achieve more by working together than going our separate ways.

Chairman **Hawkins**. Such other statements that will be made—although I will yield to Mr. Jeffords—may be put in the record.

May I simply announce at this time what we have announced earlier H.R. 90 is this committee's part of the omnibus trade bill. The Chair has indicated to the various subcommittees that they should make recommendations for inclusion in the omnibus bill based on hearings or any other suggestions which they may have.

We are starting from last year's bill which was a bipartisan bill and was approved in the House. What we are doing, in effect, is strengthening the bill that passed the House last year.

We hope that the subcommittees follow through on this. We again remind you that in the subcommittees, as well as in the full committee, we hope that both Republicans and Democrats will be involved in the drafting of such suggestions as they wish to make.

We will assume, therefore, that when the recommendations are made, they will bear the bipartisan efforts of the members.

The Chair would like to yield to Mr. Jeffords.

Mr. **Jeffords**. Thank you, Mr. Chairman.

First, I want to welcome the Secretary. I am enthusiastic about the actions he has taken and the proposals before us.

As you know, this is a many faceted problem. You have struck at two of them—one an immediate problem, with respect to dislocated workers. Our experience with Title III of the Job Training Partnership Act is that the action has been too slow for those that need quick results. We do have had dislocated resources for those workers. I think you have taken important steps forward in taking care of those problems.

With respect to the second one, which is a more long-term problem, it is a concept I certainly agree with and look forward to working with you so we can perhaps remove whatever barriers we have.

I welcome you here today and applaud the tremendous efforts you have made in this area which could be of substantial benefit to the country.

Thank you, Mr. Chairman.

Chairman **Hawkins**. Thank you.

Mr. Secretary, may the Chair join in the welcome and also express my personal appreciation and that of the committee and staff for the cooperation which you have extended to us.

We certainly have enjoyed the cooperative relationship and it certainly gives us greater respect for the Department that you head.

Some of our previous experiences with the Department have not been as pleasant. We certainly appreciate that and hope that will continue.

We will allow you to proceed as you desire. If you at any time wish to accommodate some other just simply indicate and we will accommodate you.

STATEMENT OF HON. WILLIAM E. BROCK, SECRETARY OF LABOR, ACCOMPANIED BY ROGER D. SEMERAD, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING

Secretary BROCK. Thank you for your gracious comments, Mr. Chairman. My schedule has been cleared up since I visited with you. I think we are in pretty good shape.

Let me just say first, I find it exciting to be before the 100th Congress in our constitutional year. I really do. I think this is a pretty fantastic time to be alive in this country. I am excited about what we are going to be talking about, and I am also grateful for the cooperation that I have been given by the members of this committee, particularly by the Chairman and his leaders, and I appreciate that fact.

I appreciate the chance to work with you on some problems that are common problems for all of us, and they are important.

We do have some initiatives we want to talk about. It is obvious they can't be successful unless we work together. That is why it is important to continue the cooperation that we have evinced over the last two years.

I am accompanied by Roger Semerad, the Assistant Secretary for Employment and Training who is obviously our principal advisor and leader on these issues to be discussed today.

I will submit my full statement for the record. If I may, I will try to sketch the basic essence of it.

In a few hours, the President will submit to the Congress his proposal for a comprehensive competitiveness package. He calls it a "quest for excellence". I prefer that phrase to the term "competitiveness". Competitiveness tends to be whatever you want it to be to prove whatever you want to prove.

I think what we are really fundamentally saying is that this country has to recommit itself to being the best in all that we do.

This proposal of the President's is massive. It is not a single solution, because there is no single solution. It is complex, comprehensive, integrated, multifaceted, and I think it is important to begin by noting that fact, because when you start hearing conversation—I see the gentleman from Ohio up on the dais. He and I have had a lot of conversations over the last six years, but there isn't anybody who really believes you can solve the trade problem with one action. It just is not possible.

We have so many things to do. That is what the President is attempting to draw this country's attention to when he submits an omnibus bill of this sort, that you have to have trade reform, regulatory reform, improvements in science and technology development, and R&D, protection for intellectual property rights, and—most importantly—an improvement in our human skills in this country.

That is always the issue on which all others rest.

Success in other areas will not make us more competitive if our work force lacks the skills and abilities required for the future. The package contains four legislative components which my department is responsible for developing and implementing with your approval.

Roger Semerad was the individual responsible for developing this. That is why he is here to respond to whatever questions you might have, as will I.

The components are fairly simply stated: first, to establish a new worker readjustment program; second, to target certain services to welfare youth under the Job Training Partnership Act; third, to refocus and decentralize the administrative structure of the public employment service; and fourth to decentralize the administration of the unemployment insurance system.

Together—and I want to stress these four proposals have been developed to complement one another, to reinforce one another—these will prepare us and help us to strengthen our training and employment services for the next decade or so.

They will be to establish a new and more flexible and more closely integrated training and employment system at the State and local level. It will strengthen the partnership between the private sector and the government that runs the system. It will increase the governors' flexibility and discretion in managing the programs to suit their own individual circumstances.

It will increase the role of the private sector through private industry councils and State planning councils in the delivery of these services.

If I may, I will focus on two particular aspects of the problem: the need to break the cycle of welfare dependency among AFDC youth and the need for rapid re-employment of experienced workers who have been displaced through the changing economic factors, be they trade or consumer preferences or simply changes in technology.

Let me begin with the AFDC youth proposal. We propose that the $800 million under the Job Training Partnership Act be used to allow communities to have the option of using JTPA funds for year-round remedial education and skill training for young people who are from families receiving assistance under the Aid to Families with Dependent Children.

I think it is obvious that we can not possibly compete in a world economy if a significant portion of our population is permanently barred from our economy. They are today. Not by their choice, not by ours, but by the facts of their individual circumstances.

With all the fruits of JTPA and our economic recovery over the last four years, there are still those who are caught in the poverty trap.

We must find a way to bring these people in the system, to give them the skills that they need and the chance that they deserve.

Everyone who will be in the work force by the year 2000 has already been born. We know who they are, what skills they will need to compete in their life time. We must find ways now to tap the potential of this potential work force.

A shrinking youth population and fierce international competition will make this not just a humanitarian goal but an economic national necessity.

With respect to our new worker readjustment assistance program, as with welfare youth, we know that despite economic growth, there still exists segments of the work force that have not shared the rewards.

As with welfare youth, we need these experienced workers. Properly trained workers from declining industries can be the competitive edge in our new growth industries. These workers are skilled; they have dedication and discipline; they have work habits; they have made the United States the world leader in industry after industry.

They are a precious resource. We can not afford to waste them if we are to remain a world leader, economically or in any other style.

The plight of the dislocated worker has long been the concern of my department and, obviously, this committee. At the request of this committee I created a task force on economic adjustment last year. It was headed by Malcolm Lovell.

Together our experience under JTPA and other existing programs and the work of Roger Semerad's inter-agency group on human capital, have contributed to this proposal because all of them have focused on what is an obvious and compelling need. That is to deal more effectively with the unemployed in this country.

I want to stress that we are not looking at this issue as we have in the past on the basis of whether they are employed because of trade dislocation or not. I don't care why somebody is out of work. I don't think they do either. The fact is they don't have a job. They are not productive as human beings in an economic sense, and that is bad for them and it is bad for us.

We have to deal with the circumstance and that means we have to style our program to respond, regardless of the cause of their circumstance.

The importance we place on this adjustment effort is demonstrated by the commitment of $890 million. We intend to build it on the best features of the JTPA dislocated worker program. We hope to use the positive learning experiences we have had under that program and apply what has worked and to discard what did not.

We intend to serve 700,000 workers in the first year, about three times as many as are currently being served by the present programs. We intend to provide services and assistance to all workers regardless of the cause of their dislocation. We will emphasize early response to mobilize communities immediately on notice of dislocation.

One of the things I think you can find very quickly is that people get so disenchanted as the duration of unemployment continues. It is like a cancer. It becomes self-fulfilling. It must be terminated early. That is why we hope to develop a very quick, early response capacity. We intend to encourage labor, management, and community partnerships with government to do this.

We intend to encourage and emphasize voluntary advanced notice of plant closings and lay-offs. We intend to establish very close linkages—we will insist upon close linkages with the unemployment insurance system.

We are going to provide our services in two categories: first, a basic readjustment service for those individuals who will find jobs without a great deal of support other than assessment, counseling, and job search assistance. Those are the individuals that would normally find work in a few weeks under any circumstance. We can accelerate and expedite that by providing these support services.

But there are individuals who do not fit in that category. They may have been in a skilled job for 15, 20, or 25 years and still be functionally illiterate because they had that particular skill but no educational base from which to broaden.

Now those individuals—whether they are illiterate or not—those individuals who can not find immediate reemployment will need retraining services, including classroom and on-the-job training and relocation assistance.

That will be the second category of services provided. We anticipate that most workers will find employment through the assistance provided in the first category.

For dislocated workers who need basic training or longer term training, the second category becomes crucial. The key for all of these workers is getting the assistance they need and want early in the dislocation.

Workers would be eligible to receive certificates for longer training, when necessary, for up to two years. Encouraging joint labor-management committees, trained staff will help local communities develop a coordinated response to the dislocation. This is especially important, because we have found the programs that are most successful are those that are tailored to the needs and desires of the displaced workers, not programs that are imposed from above.

Governors would have State-wide planning and oversight responsibility. They would allocate funds for basic readjustment and training services. The delivery of services will be built upon the JTPA system using an allocation system that assures targeting of funds to the most critical problems.

Ladies and gentlemen, you have heard me comment before on the frustration I feel at the inability to properly apply our funds on a targeted basis. I make that point again. It is simply unethical and uneconomic and even immoral to try to farm the grants out on the basis of some per capita approach.

It may sound like good politics, but it is lousy business. We have to be able to put our resources where these people are and provide the resources that they need to respond to their own economic opportunities.

Let me close with one thought. As we move ahead on these initiatives, I can not overstate the need to address these issues in a realistic, cost-effective way without rekindling inflation. We must ensure that government programs and policies are coordinated to deal with these challenges comprehensively and not counterproductively.

In that context, I should mention the enormous gratitude I have to Doc Bowen, the Secretary of Health and Human Services, and to his department for the opportunity we have had to work with that particular office, because a lot of these individuals—when you are talking about welfare youth—are caught up in government laws and regulations that, unless modified, will hold them in the poverty trap I was describing.

The ability of Health and Human Services to work cooperatively with us to remove those barriers to employment is a fundamentally important aspect of this program.

In conclusion, Mr. Chairman, I look forward to working with you on these proposals. I am excited about them. I think they represent a fundamental change in direction that is terribly important for this country to take.

We are going to run out of skilled people if we don't move effectively and quickly in this country, in this 100th Congress.

I look forward to that opportunity to work with you, and I appreciate the chance to be with you today.

Chairman Hawkins. Thank you, Mr. Secretary.

[The prepared statement of Hon. William E. Brock follows:]

PREPARED STATEMENT OF HON. WILLIAM E. BROCK, SECRETARY OF LABOR

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to testify before you today. In a few hours, the President will transmit the "Trade, Employment and Productivity Act of 1987" to Congress. I am looking forward to discussing the important issues contained in that proposal as Congress and the Administration jointly begin to address the subject of competitiveness.

America faces a competitive challenge in the decades ahead which, if not addressed effectively, could have serious consequences for our economy, our national security, and the standard of living of all citizens.

A complex set of factors accounts for our country's present competitive posture: the budget deficit, slow productivity growth, and the need for a better education and training system to prepare our young people and dislocated workers for the changing nature of the workplace. I believe we can meet the challenge and overcome these problems. The President has established a national goal of assuring American competitive preeminence into the 21st century.

However, there is no single solution. To fulfill the Federal Government's responsibilities, the proposed legislation the Administration is launching today has five titles aimed at:

1. Increasing investment in human and intellectual capital;
2. Promoting the development of science and technology;
3. Better protecting intellectual property rights;
4. Bringing about essential legal and regulatory reforms; and
5. Improving the international economic environment.

Investment in human capital is critical. Success in other areas will not make America more competitive if our workforce lacks the skills and flexibility that will be required for the jobs of the future, and the ability to be more productive than ever before.

The "Trade, Employment and Productivity Act of 1987" contains four legislative initiatives developed by the

Department of Labor to respond to these challenges:

-- A proposal to establish a new Worker Readjustment Program;

-- A proposal to target certain services to welfare youth under the Job Training Partnership Act (JTPA);

-- A proposal to refocus and decentralize the administrative structure of the public Employment Service; and

-- A proposal to decentralize the administration of the Unemployment Insurance system.

Together these proposals will strengthen the administration of training and employment services and focus resources on two of our most critical human resource problems: the need to break the cycle of chronic welfare dependency among youth from AFDC families, and the need for rapid re-employment of experienced workers dislocated because of a variety of economic factors.

The combined impact of these training and employment initiatives will establish a new, more flexible and closely integrated training and employment system at the State and local levels. It will also strengthen the partnership between the private sector and government. In addition, the proposals will increase Governors' discretion and flexibility in managing these services and program resources. Under broad Federal guidelines, States can plan and coordinate where, when, and how resources will be used under the JTPA, worker adjustment, and the employment service program. By enhancing the Governors' ability to utilize these resources, efficiencies can be attained while critical problem areas can be targeted more effectively.

There will also be an increased role for the private sector--through local Private Industry Councils and State training and employment councils--to provide guidance and oversight with respect to planning and delivery of services. This private sector participation is essential to assure that the services are coordinated, nonduplicative and responsive to State and local labor market conditions.

In addition to the four employment and training proposals I have mentioned, I wish to alert the committee to one other proposal that will be contained in the President's "Trade, Employment and Productivity Act of 1987." This proposal, which deals with the funding and termination of pension plans, will be transmitted to Congress with the competitiveness package, but will not be written as legislative language.

Next month, the Labor-Management Relations Subcommittee of this Committee and the Senate Labor Subcommittee will hold joint hearings on the pension proposal. For now, let me briefly state that our initiative is designed to:

- Strengthen ERISA's minimum funding standards to assure that plans will be sufficiently funded and able to provide participants their full benefits.
- Permit employers to withdraw certain surplus assets from ongoing plans, provided that certain conditions designed to protect plan participants are met.
- Permit employers to transfer assets available for withdrawal from overfunded plans to fund retirement health benefits of current retirees.

Now let me turn to the particular problem of dislocated workers.

The Bureau of Labor Statistics as well as the recently released report of my Task Force on Economic Adjustment and Worker Dislocation point to the fact, that despite economic growth, there are still some segments of the workforce that have not shared the fruits of our economic recovery. As we look toward the challenges we will face in the 21st century, we must begin now to design programs to assist these populations, not just for humanitarian reasons, but because these workers will be essential in a competitive workforce of the future.

Dislocation is a particularly serious form of unemployment. Because dislocated workers frequently have held the same job for many years, their adjustment can be difficult because of age, obsolete skills, family responsibilities, and community ties.

Plant closings and mass layoffs frequently have adverse impact on entire communities.

It is essential that we as a nation have in place an effective policy and program for dislocated workers for the following reasons:

-- The slow labor force growth, resulting from the demographic changes we are facing, makes essential the full use of worker potential--particularly the potential of those who have a proven capacity and talent for productive work.

-- The changing world economic and trade picture (and our own national interest) demands a flexible U.S. labor force to adjust rapidly to new conditions.

-- There exists broad consensus that dislocated workers--and cities and regions disproportionately impacted--

should not bear the full burden of the adjustment process.

The importance that this Administration places on an effective adjustment policy is demonstrated by our willingness to launch a major new initiative at a time of serious budget constraints. Our proposal, which requests $980 million for the first year, incorporates many of the conclusions and recommendations of the Cabinet Council Working Group on Human Capital, as well as my Task Force on Worker Dislocation.

The program would:

-- Build on the best features of the JTPA Dislocated Worker program and the positive learning experience we have had under the program in learning what works best for these workers;

-- Substantially expand services to dislocated workers;

-- Serve almost three times as many workers as are currently being served by present programs;

-- Provide coverage of workers regardless of the cause of their dislocation;

-- Incorporate the best practices used around the country;

- -- Emphasize an early response capability to mobilize communities and deliver assistance immediately on notice of dislocation;
- -- Encourage labor, management and community partnerships in addressing dislocation problems;
- -- Establish close linkages with the Unemployment Insurance system as an integral part of adjustment services;
- -- Emphasize voluntary advance notice of plant closings and layoffs.

Building on our experience under Title III of JTPA, services would be provided in two broad categories: basic readjustment services, including assessment, counseling, and job search assistance; and retraining services, including classroom and on-the-job training, and relocation assistance. Training and retraining would be available through traditional arrangements and through vouchers. In addition, workers could receive certificates of continuing eligibility for training for up to a two-year period.

The formation of joint labor-management committees would be encouraged. A staff of trained facilitators could assist in setting up the committees and help the local committee in developing a coordinated response to the dislocation.

The delivery of these services would be built upon the JTPA system, using an allocation system that assures targeting of funds by the States to the most critical areas of dislocation.

Of the total $980 million budgeted, 30 percent will be distributed by a basic allotment to each State for readjustment services with further allocation to substate areas. Fifty percent of the total will be available for retraining services with allotments made to States up to a predetermined State target level. Twenty percent of the total will be available for the National Reserve Program; these funds may be used for mass layoffs, industry-wide and multi-state projects and other national activities.

Mr. Chairman, the combined package of Labor Department initiatives will make an important contribution to guarantee America's preeminence in world market competition.

Combined with the new worker readjustment program I have outlined, the AFDC youth proposal will assure that we fully tap the potential of our future labor force as we enter a period of projected skilled labor shortages. In addition, the Employment Service initiative will assure the most effective use of resources in supporting the adjustment process.

Mr. Chairman, during the past several months, my Department has launched a major examination of the work trends through the year 2000.

These trends will profoundly affect policy issues that concern our Department and this Committee, and with the turn of the century just around the corner we need to recognize and begin to deal with them today.

We have chosen to call our mission the WORKFORCE 2000 Project.

In very broad terms, our objectives are to anticipate and prepare for change by enhancing the skills of the workforce. The proposals that the President is transmitting today as part of the comprehensive competitiveness package have been developed with these objectives in mind. My Department is prepared and eager to start immediately to work closely with this Committee toward enactment of this legislation as well as the pension initiative.

As we move ahead on these initiatives, I cannot overstate the need to address these issues in a realistic, cost-effective way, without rekindling inflation. The budget environment we find ourselves in demands that we target available funds, and ensure that government programs and policies are coordinated to deal with these challenges comprehensively--not counterproductively.

Mr. Chairman, all of the ideas on this subject being considered here in Congress will do nothing to improve the nation's competitiveness if they place too high a financial burden on the private sector, or if they dismantle the economic tools that have provided for recovery and growth thus far.

Just as the President and we in the Labor Department are viewing all of our many responsibilities with an eye toward the year 2000 and with the goal of a competitive, flexible workforce that is second to none in the world, I urge this Committee to consider this same goal during your work on all labor issues, not just proposals that are to become part of a "competitiveness" package.

My staff and I look forward to working with you on the President's proposals which will improve our nation's competitiveness.

Chairman **Hawkins**. The Chair will announce that we will adhere strictly to the five-minute rule. When I notify you the five minutes have expired, I will drop the gavel. I would appreciate the members complying with that request.

If the Secretary is responding to a question, we would assume that he would complete his statement. His answers obviously, will not be limited to the five minute rule.

Mr. Secretary, I read your statement last night. I must say that I did not disagree with it. I thought that as far as it goes, there were some excellent ideas. I do not in any way oppose anything that has been suggested in the statement.

My only problem with it is that it seems to be rather a modest approach to an employment and training program. Obviously, it improves the condition of the dislocated worker. In that respect it does provide the additional money which is rather generous compared with what is ordinarily proposed around here at this time.

However, the idea of a comprehensive approach to our problem seems to be much more desirable. I am wondering why instead of, let us say, drafting a comprehensive employment and training program, we are dealing almost exclusively with the problem of the dislocated worker only, even though it is serious.

I am quite sure there are a lot of other unemployed and underemployed people who feel their problem is just as serious. We are not reaching many of the unemployed youth. You are well aware that some 3.5 million of the unemployed are young people. We are not going to reach very many with this proposal.

We certainly aren't going to do very much for welfare recipients if the displaced worker who has had some experience on the job finds it very difficult to locate a new position. Obviously, those welfare recipients who haven't had a job are going to find it very difficult to find one.

We are not touching those at the minimum wage level who work every day throughout the year, who have families to support, but who find it difficult to make ends meet. We are not addressing their problem or the problems of refugees and immigrants.

In other words, we have a great number of individuals whose problems are not going to be in any way addressed in this type of a program.

We have probably had 14 different manpower or job training strategies since I have been in Congress. Every two or three years we throw one overboard and say we are going to go for something new. We don't seem to be building on the success of the past. Instead, we seem to be constantly changing, confusing people who are trying to operate programs, confusing the States, and so forth.

Do you have under consideration a more comprehensive approach to the problem of unemployment rather than confining it simply to what seems to be the popular thing right now, since the trade bill is up?

Secretary **Brock**. Mr. Chairman, if I have communicated to you an impression that we are trying to deal with only one aspect of the problem, I have made a fundamental error. I apologize. That is not my intention.

What we are trying to do is to deal in a very comprehensive way with the problem. Let me point out to you that when we come with this, we are building upon what has been successful in the past and trying to add to it and improve it in ways that are proven, not in some window dressing fashion.

If you look at this problem in total terms, picking up what we already do and what we are adding here, I think we are covering those groups that you have mentioned. We have presently about a million people we are working with under the Job Training Partnership Act per year.

Second, we are adding with this proposal another 700,000. That is above the figure of, say, a quarter of a million that would have been treated under the present Title III and TAA approaches.

Third, if you give us the authority to focus these training efforts on the AFDC youth, we will serve 160,000 of that group. We are approaching two million people a year, I think, that could be covered. That is a major component, Mr. Chairman, a major component of the disadvantaged and unemployed community of the United States.

You have to understand that of those people that are unemployed, a very high percentage are re-employed in a period of a very few weeks. We are not trying to change that circumstance other than to accelerate the time by which they get new jobs. But we are saying that there are people who are not being effectively dealt with under the programs presently in law that we can reach in a better fashion with this approach.

Hopefully it is designed to deal with it as comprehensively as we possibly can.

I can not think of a group that is not covered by this approach. You mentioned youth. Two-thirds of the JTPA money now—two-thirds of the beneficiaries of the Job Training Partnership Act are young people. We are adding 160,000 welfare youth under the AFDC proposal.

Chairman **Hawkins**. The present proposal is only reaching about 4 percent of the target population, even granting you that you are reaching two million people.

Last year some 15 million persons were without jobs for a substantial part of the year. That is a great number. Even the $980 million which seems to be rather generous, assumes, as I see it, the elimination of at least two programs and appropriating those funds for this package.

In addition to that, a great number of other relevant programs are being eliminated. I don't know whether they are contingent on the use of the $980 million or not.

There was a 28 percent cut in education being proposed by the Administration. The vocational education program is slated for elimination. These cuts reduce the money which is being made available to these unfortunate people. When you take the total picture, it seems to me that our effort falls short of what is needed. That is why I say it is rather puny. It is like going on a safari in Africa using air rifles and BB guns rather than being prepared for the battle that is ahead of us.

I am just afraid this is going to be inadequate. I don't know whether or not you are responsible for suggesting what is going to be done in the field of education.

I don't see any references to education in the proposal today. I anticipate when we get around to education we are going to be offered budget proposals that will slash education by 28 percent. This will obviously weaken any training that is provided under this proposal.

Secretary Brock. Mr. Chairman, I don't know the components of other departments' budgets. I really do not think I can comment on this. But to pick up on your analogy of going hunting in Africa, the bushmen in Africa go hunting after the cape buffalo, which is the most dangerous beast in the world, and they do it with a little bow that is two and a half feet long and a stick called an arrow that is just dipped in a little bit of sleeping poison.

Chairman Hawkins. You and I wouldn't hunt that way, I am sure.

Secretary Brock. No, but they are a whole lot better at it than we are. I would rather be with them in that hunt than with me with a 12 gauge.

Chairman Hawkins. I understand my time is up, Mr. Brock.

Mr. Jeffords.

Mr. Jeffords. Mr. Secretary, would you like to make further comments to the Chairman's remarks?

Secretary Brock. Well, we have explored the bushmen adequately. The Chairman obviously is absolutely right, that we have a large problem.

But I think you have to be precise in describing the problem. When you say there are 15 million people that are in and out of work during the course of a year, you must recognize that many of those people are out for less than a month. These are people that are in rapid transition between jobs. They are not "unemployed" in any classic sense of the word at all.

When you look at your target population, you are coming to a much different set of numbers. There are about a million and a half people, according to the best data we can come up with in the Bureau of Labor Statistics, and we are good at that. We are the best statistical people in the world—Janet Norwood and the people that work with her.

We estimate that there are about a million and a half displaced workers a year. Out of that, the majority will get re-employment very quickly. They have skills that are applicable in their communities in some other business.

What we are trying to deal with is the people that don't have that opportunity. We hope to train 700,000. That is well over half. That is probably three-quarters of those, if not 90 percent of those who are within our capacity to reach that need the help. It might be all if we do it well enough.

So I think we are doing a heck of a good job, or we propose to do something fundamentally that will be very important, that we are not doing well now.

Mr. Jeffords. I thank the Secretary for those comments. I think you would agree that we all have a problem with the deficit in that we have to try to figure out how we can come up with sufficient resources to do all the things we would like to do.

I praise your part of the program. I, like the Chairman, have problems with the educational aspect, as to whether or not it will make a dent in the long-term problems relating to resources available to our universities to upgrade their research and development programs; the need to attract more science and math teachers; and more effort in the schools.

I would like to address some specific issues although the broader questions bother me more, i.e., the fact that our real average wage has gone down by 9 percent. We are replacing high paying jobs with relatively lower paying ones, which are service types rather than manufacturing.

Back to the proposal with respect to the dislocated workers issue is of critical importance, not only to this Committee, but one which hung up the House with respect to its ability to help those dislocated workers.

There was one area that was avoided by your task force. That is the question of notice. There are two aspects of notice. One is pure notice. I have some problem understanding how we can adequately help the dislocated workers without some form of adequate notice, in order to get the mechanics in motion, to provide them with the kind of assistance they need during that low period when they find out they do not have a job.

Secondly, the urging of the unions, primarily for a component if you do have notice of consultation, in requiring bargaining during that period.

I would appreciate it if you would comment on each of those separately. I understand in your proposal you are looking to the states to provide laws with respect to voluntary notice. I don't quite know what that means.

Also, as to whether or not a component which requires bargaining and consultation is helpful or harmful in trying to bring about assistance to the dislocated workers.

Secretary **Brock**. We hope to provide substantial incentives for States and communities and companies to markedly improve their performance in terms of advance notice of closings or mass layoffs. It has been suggested by some on this committee that the Federal Government should mandatorily require 100, 120 days, whatever the number, of advance notice.

The concern that we have, and I think I speak broadly for the Administration is that very few companies that I am aware of want to close a plant. They all want to keep it open.

They try desperately to keep it open. If there is some statutory requirement for advance notification, the day that that notice is handed over to the local newspaper is the day that plant will lose access to its suppliers, to its banks, to its creditors, and you have created a self-fulfilling prophesy that the plant will close whether you want it to close or not, simply because you had to meet some statutory deadline in order not to be subject to criminal or civil penalties.

I don't think anybody wants to end up with that as a consequence. What we have said is in order to avoid that, let's see if we cannot build really significant incentives in at the local and State level, and Federal, level to provide advance notice, so that it becomes not only ethically the right thing to do, but economically the right thing to do.

It is terribly important that we know this in advance. We can get teams in there, we can help these individuals well before the plant closes if we get that opportunity and we can really make a difference in resolving some issues.

There are some plants that are going to close. That is right and natural in a moving economy. There is nothing wrong with that. We have human beings involved and we would like to give them as much support as we can.

The second question you asked about consultation between the work force and the management of that plant—I can't imagine circumstances in which that would not be helpful. I obviously think it is something that they should work together on.

Again, it doesn't mean they are not going to close the plant, because in some cases they have no choice. But you should at least sit down and reason together and see how you can minimize the human anguish that accompanies that type of action.

I think that is an important step to take.

Mr. **Jeffords**. I would like to add one sentence. Our State is considering a notice, but the opponents say the Federal Government ought to do that because if the States get involved it puts up a barrier for getting plants in who would be afraid of the notice.

Secretary **Brock**. Well, everybody is good at passing the buck.

Chairman **Hawkins**. Mr. Ford.

Mr. **Ford**. Thank you.

Mr. Secretary, you raised so many issues.

In my five minutes, I just want to peruse with you your numbers. You left me behind.

Your plan contemplates that you take the people now being reached, although a very inadequate portion of them by trade assistance and the people being reached by Title III of JTPA, again, a woefully small percentage of them who would benefit from participation in the programs, and folding them into this $980 million program, and then you come out with a figure of $700,000.

Then you mention that JTPA is now reaching 250,000. Do you add the 250,000 to get to your two million, or do you take into account you are taking the resources now used on that 250,000 and folding it into your 700,000?

Secretary **Brock**. I am including—the 250 is part of the 700,000. I would—I believe that we can triple the yield of the present program of dislocated workers. If it is 200,000, 230,000, whatever the number—I am not quite sure if we are that precise—we would raise it to 700,000. It is an inclusive number.

We are tripling the response.

Mr. **Ford**. Back in the late sixties, this committee had the luxury, if you will—when we think of it now, it was a luxury—of having an unemployment rate so low in this country for people who had jobs and so few people who had jobs being put out of them that we were able to concentrate our efforts on what we called the hard core poor, people who never had job experience.

I have the feeling that what you are proposing is going to fail just as those programs did because they promised too much and delivered too little.

I have the feeling that when your own commission in its findings pointed out that we are adding to the pool of structurally unemployed people, not people without work experience, but people who had jobs, about two million people a year, as a result of plant closings and relocations, that what we are doing is running around with a basket of Band-aids trying to patch up deeply wounded people and communities with Band-aids, and there just aren't enough Band-aids to get the job done.

Along with that, after your commission reported—and I don't ascribe this to you, but someone allegedly speaking for the Administration suggested that if their recommendations were followed, this would be an alternative to other proposals that are being made to do something about the increasing balance of payments deficit which reflects itself in jobs that are now someplace else, not in the United States.

I don't know whether the people who said that really believed that the American public is in a mood to be turned off by, as the Chairman characterized it, a rather pallid program like this. This will not stop the people who lose their sense and shoot at Japanese cars in my district, believe me. This is not going to convince them when they pick up the paper and read that a model of an automobile made heretofore in my district, one of the largest selling automobiles of the largest profit-making auto company—from autos, not largest profit-making auto company, but from autos—last year has announced the removal of one of those compact cars in this fashion. They are not going out of business. They are not going to reduce production. But they are going to replace in 1988 a car that is made in several places in the United States with one that will be assembled in Mexico with Japanese parts. It will become cost competitive with their own compact car.

They acknowledge upfront that it probably will reduce the sales of that model which is being kept here because they expect it to be more competitive.

Now, these phenomena are occurring so regularly throughout the country that people are getting very restless. The Congress is beginning to reflect that restlessness as it frequently does. We are generally at least five years behind the public on these issues.

I am afraid on this one we are. I don't want to get you into the tangle in the jungle of protectionism. But when you are adding to the people that Mr. Hawkins mentioned—the people who have never been trained for a job, who never had the opportunity to work at a steady job—you are adding to that population which we know is out there and is growing, people who were gainfully employed who are no longer gainfully employed, it seems to me that the numbers you give us really do not suggest that we are serious about doing very much about it.

Chairman **Hawkins**. Mr. Ford, your time has expired. We will give Mr. Brock the opportunity to respond to the question.

Mr. Brock.

Secretary **Brock**. I will try to abide by the five minute rule, too, Mr. Chairman.

Chairman **Hawkins**. No, no. We are not going to limit you. We wouldn't do that. We had a tough time getting you up here and we don't get you that often.

May I suggest, however, that any of the members who may have questions that are not going to be answered today be able to submit the questions in writing to the Secretary? I am sure he would accommodate them.

Secretary **Brock**. I would be more than delighted, Mr. Chairman. Thank you for mentioning that.

I will say to the distinguished gentleman from Michigan that I really don't know how to respond to that because we have two programs now that are treating probably less than a quarter of a million people and dog-gone ineffectively. We are required under the rules of one law to apportion our assets across the country on a per capita basis regardless of need.

I think that is ridiculous. We are given virtually no discretionary authority to put those resources into an area, Michigan being a pretty good example, that has been hard hit by changing economic circumstances.

Then we are told that we have to run a program under the Trade Act—granted, it is under a different committee's jurisdiction, but it is applied to the same problem area—that says I have to spend 6, 8, 9, 10 months to find out whether somebody is qualified for the money, and by the time I find out they are qualified, they have either died or gone back to work someplace else.

It is ridiculous. A lot of that money is going down a rat hole. $344 million is spent on those two programs, and when I come up here and say I want to triple the amount, I want to can two lousy programs—not lousy, they are just not very effective programs—two well-intended, but not very good programs—and substitute for them one that clearly has proven success behind it, because it has worked at the State and community level, to deal with 700,000 people at a minimum instead of 200-plus thousand. I am surprised there aren't hallelujahs.

Chairman **Hawkins**. Thank you.

Mr. Goodling?

Mr. **Goodling**. Thank you, Mr. Chairman.

One comment, Mr. Secretary. I appreciate that you brought us a package that provides us with a good frame work, upon which we can build. So many times, at least on the education side, we get packages which we can't build from—we have to start all over from scratch.

So I appreciate the fact that you have brought us something that we can really work with.

We will do our best to put an educational component in this package, because unless you are more effective than most of us, you may not get the kind of cooperation from the education department that is needed to make this a comprehensive approach.

Just one good example. Rather than zeroing out vocational education, it seems to me, here would be a golden opportunity to make that program more effective by getting the private sector much more involved.

I just spoke to some Chrysler parts managers from several States. They are in the business now of bringing people in for nine weeks for the book work and then nine weeks hands-on with the sophisticated equipment. So it seems to me we could force some kind of cooperative effort which would benefit everyone if, as a matter of fact, we use those existing vocational schools and get that kind of outstanding equipment.

It would be much cheaper for the company in the long run rather than just zeroing it out and saying it is a flop. So we will do our best to create an education component. Again, I do want to compliment you for giving us something that we can work from, which doesn't always happen on this committee.

Thank you, Mr. Secretary.

Secretary **Brock**. Thank you very much.

Chairman **Hawkins**. Mr. Kildee.

Mr. **Kildee**. Thank you, Mr. Chairman.

Mr. Secretary, I welcome you here this morning. There are two groups in my district that I am deeply concerned with. I am from Flint, Michigan, which is again reaching the point of being the unemployment capital of the country.

The first of these is the older workers who are being displaced. Another group I am very concerned with is the young people.

A person 18 through 25 in my city is probably not working well. He or she does not have what I used to call the good job. When I graduated from high school a number of years ago, one could graduate from high school on Sunday and go to work for Buick on Monday.

Mr. Chairman, could we have some order, please?

This is no longer the case in Flint, Michigan. Anyone 18 through 25 does not have the good job. GM has hired virtually no new people in the last seven years.

Now, with that, though—and I know you are the Secretary of Labor but the same Administration has asked us to zero out vocational education, which is used to train those who want to enter the job market, those who, as you mentioned, will be working in the year 2000. Will not that create more problems for you if we aren't training these people on that level?

Cutting out dollars there for those in elementary school and grade school now, cutting out those dollars, will that not compound your problem, your successor's problem in the year 2000?

Secretary **Brock**. Mr. Chairman, as I said earlier, it is very difficult to, comment on the composition of some other department's budget without knowing what the other component parts may be and what they propose to do with the totality of their effort.

But let me draw back from a specific question for a moment and look at the skill needs of this country as we perceive them over the next 13 years. When I first came into the department we began a program called Youth 2000, which we turned into Project 2000.

It is an effort to analyze the work force we have in the country and relate it to the work place that we are going to have over the next 13 years. We don't have any gift of prophesy in the Department of Labor, but we can make certain forecasts with a great deal of accuracy.

Everybody that is going to be working in the year 2000 has been born. Everybody that will graduate from high school is already in kindergarten. We know who they are, their demographic characteristics, racial characteristics, income characteristics.

We know 80 percent of the new entrants in the work force—80 percent between now and the year 2000 are going to be women or minorities or immigrants. Those are three groups that have traditionally been disadvantaged in the United States.

You take that and then you sit over here and look at the other side of the scale and say what kind of jobs are being created?

Sometime I will explore with all of you, if you would like to, in much greater detail this fallacy of whether or not all of these new jobs are low income jobs. That is not true. I would be happy to debate it with you, but let me lay that aside and just talk about the kind of jobs we see being created right now.

The overwhelming number of jobs being created are jobs that require an entirely different level of skill than the jobs of the last 20 and 30 years. They require cognitive skills and communications skills. They do not by and large require vocational skills.

So, either we have to change our vocational system or develop something much better than what we are now doing. Our kids are coming out of school today unprepared for the work place of 1987, much less the work place of 1995, and the year 2000.

We are graduating 700,000 kids every year that can't read their dog-gone diplomas. We have another 700,000 that drop out every year. Twenty-five percent of the American children are not finishing school.

How do we expect to compete with Japan? It isn't just a matter of vocational education, Mr. Chairman.

Mr. **Kildee**. On that point then the Administration is not only asking us to zero out vocational education, but asking us to retrench on the Federal support for education. That includes the cognitive skills.

To my mind, that is more than confusing. When I see one department of government saying we must address this problem, the other department of government re-trenching in our efforts to really have not only a trained, but educated work force.

Secretary **Brock**. I hear you. I really am going to be very careful about getting into a discussion with you on the Department of Education's budget. I don't know.

But I think a couple of points.

Mr. **Kildee**. There must be a telephone line between your department and the Department of Education.

Secretary **Brock**. Well, that works better than the postal service. I think it is fair to point out that the Department of Education or the Federal Government generally is not in the position—has not been for 200 years—of financing all public education in the United States.

We provide about 7 percent of the education dollars. So that is point number one.

Our primary purpose is to provide leverage for qualitative improvements, leadership, and hopefully deal with some of the problems that are unique that cannot be dealt with in a particular committee.

Mr. **Kildee**. You are retrenching.

Secretary **Brock**. It is my understanding there is not a retrenchment in support of disadvantaged children, rather, there is an increase. But, you are asking me to get into a subject I do not know.

Mr. **Kildee**. The kids now that come from the neighborhood I was raised in probably do not fit that disadvantaged category. I still live within a mile of the house I was born in.

For the most part, those children there would not fit the title or qualification of disadvantaged. But they are leaving high school with no job. Yet, the Federal Government is retrenching in its concern for education.

There are certain national purposes in education, are there not?

Secretary **Brock**. Yes. I do not accept that we are retrenching. Let me make one last point.

In the 1973 to 1983 period, in 1973, 43 percent of our total national education budget went to teachers. I think that is too low.

In 1983, it went down to 38 percent. I don't know about your district, but I do know that nationally 38 percent of the funds going to teachers is inexcusable. Where is the rest of the money?

If we have only seven percent at the Federal level, 10 percent could have been added at other levels. We could have had a heck of an increase with more teachers, better teachers, more well-financed teachers just by changing our approach to this thing.

Chairman **Hawkins**. Mr. Petri.

Mr. **Petri**. Thank you, Mr. Chairman.

May I spend a minute or two exploring the feature of your proposal having to do with plant closing notification. Do you think that is integral to this or can it be set aside and can we deal with the rest of the proposal and other ideas and leave that for another day?

Or do you think it is important we address that subject at the same time that we deal with the rest of the proposal?

Secretary **Brock**. As long as it is dealt with. I am not sure it is essential that it be part and parcel, but, frankly, I would prefer that it is because I think it is within the context of the large question.

What we are dealing with is a situation where the rapidity of economic change causes human dislocation which costs us an economic price.

People are laid off or their plants closed or their jobs are abolished by changing technology or consumer preferences. This country can no longer afford to be without the availability of those skills.

Having a plant closing component where we get earlier notice to those individuals, without it being a Federal mandate, is the right and logical thing to do. It allows us to intervene earlier, put those people back to work more quickly, and give them an alternative skill more effectively.

In other words, it helps to deal with the problem we are trying to deal with in this legislation.

Mr. **Petri**. Have you considered or do you have any comments on the approach in Canada—I think Ontario—where notification isn't mandated but companies are penalized if they don't give notice by requiring them to make additional cash payments to give people unemployment compensation for the time they would have had notice?

In other words, put a little teeth in encouragement, even if it is not a requirement. Or do you think that goes too far? Do you have any comments on that as another approach?

Secretary **Brock**. I am a believer in incentives.

Roger?

Mr. **Semerad**. We haven't built penalties into our act. We do require under our proposal that States create rapid response teams.

We do encourage labor/management discussion. We build incentives in to make it more attractive to do the voluntary advance notification.

There is an actual economic benefit. Bear in mind that other aspects of our package put more of the discretion and the decision making and the authority for the UI fund back at the States so that through things like experience rating, employers could get considerable economic benefit if States incorporated experience rating to the rates they pay.

If that is the kind of penalty you are looking for, then I would say it is there. We are trying to figure out how to minimize the trauma.

Every piece of experience we have where there has been voluntary notifications here in the United States today shows that the public interventions that are available today work quite well, that you can indeed minimize the trauma to the community as well as the worker and protect that economic development and that base.

I would say our experience suggests that we get a lot further with voluntary notifications than we would trying to waive a big stick over everybody and penalize them for not doing so.

Mr. PETRI. Thank you.

Chairman HAWKINS. Mr. Martinez.

The Chair is recognizing members according to seniority.

Mr. Martinez is next and Mr. Owens will follow.

After that we shift to the right side.

Mr. MARTINEZ. Is Mr. Petri finished?

Chairman HAWKINS. Mr. Petri has yielded back the balance of his time.

Mr. MARTINEZ. So it is my turn?

Chairman HAWKINS. Your time. Your five minutes.

Mr. MARTINEZ. Thank you, Mr. Chairman.

I need a minute for Mr. Williams. Mr. Williams, like yourself, shows great concern for people getting back to work and has asked me to ask a question. It pertains to something that will be coming up very soon in the Congress. That is what is your position on the use of polygraph, the lie detector machine for pre-employment screening? I would just add I understand the question comes from the standpoint that just the fact that a person is going to have to take a lie detector test to qualify for a job will discourage that person before he has even had an opportunity to do anything that the lie detector would disclose.

Secretary BROCK. I am not a great advocate of the polygraph, Mr. Chairman. I am not sure that I can comment on any hypothetical legislation that I have not seen. My concern is that we tend to try to write legislation in Congress that covers all sins and it rarely does.

Sometimes it creates more problems than it solves. I am not sure that I would be comfortable with that, but in just purely philosophical sense, I am a little troubled by the degree of the usage of polygraphs in this country for pre-employment screening when there is no security requirement.

Mr. MARTINEZ. Thank you, Mr. Chairman.

Secretary Brock, let me go back to your proposal on replacing Title III, and the numbers you expounded on today. To me, simply from my own perspective and point of view, it doesn't make any sense in the claim that it is going to serve more people simply because you do away with two programs that you are not comfortable with and replace them with another program.

The real key is the money. You go from serving 250,000 people in Title III.

Secretary **Brock**. And TAA.

Mr. **Martinez**. Including the two programs. You go from a total of $320 million to a total of 900-and-some million dollars. So you double the money along with doubling the number of people that you help.

The numbers are proportionate. Why not give the money to Title III under the present structure and the present program?

Let me tell you what happens in my experience in my district and I imagine in some districts that I visited, like Mahoney County, Ohio, Beaver County, Pennsylvania, that I can attest to talking to people and hearing testimony from people that make what happens in my district as prevalent in their district as it is in my district.

That is many of these people after working for 30 years for a company, at 55 years of age, are very skeptical about getting retrained. They need somebody to counsel them.

That is not available. The one program that Mr. Petri referred to in Canada, on notification, is not just simply a notification and a penalty for not giving that notification. What it is is a service provided by the Federal Government that goes into these areas where the notification has been given and strictly on a voluntary basis sets up an agreement with the company closing or laying off and tries to help them relocate those workers in an employment service tantamount to what we should be doing here in our employment offices and are not doing.

Our employment offices have just turned into a claim payment factory. That is all they are.

In that regard, when you have a committee set up in their structure of members of management, employees, members of unions, some independent people from the community to sit and try to determine how they are best going to help these dislocated workers, if you add that to the dislocated worker program here on an ongoing basis, not just when an emergency rises, I think you would go a long ways to preparing people not only for the big layoff that would come but preparing them for a job and even placing them in a job as the company closes down or shuts down.

That program is a worthwhile program, something we could learn by. But the main thing is I have learned and watched in my district with these people from Bethlehem Steel that got laid off and were 55 years of age, they, like I say, were skeptical about retraining.

They needed counselling and didn't get it. They are sitting around until they get their social security retirement, not willing to go back to work. Those that have gone back to work have gone at jobs that are much lower paying than the job they had, from a $15 an hour job to a minimum wage job.

When you talked earlier about not all the new jobs created were minimum wage or low paying jobs, that is true. That is absolutely true.

There are a lot of them. Things have happened in our government such as the raid in Denver, Colorado by the INS in which they raided and found that four-to-one, the immigrants weren't from south of the border, but from north of the border, from Europe through the northern border and those people were working in high tech jobs at high salaries. That indicates that the people and even the recruiting some of our corporations do at those new jobs created in the high tech industry are for people from countries when they say they can't find people that are qualified to do the job in this country.

Understand, this is a real complicated situation. There are a lot of factors. I sympathize with your problem having to deal with them and trying to put together a comprehensive program by which you can alleviate all these problems.

But I don't think going about it in the approach that the Administration is recommending right now is the proper answer. It goes back to what some of my colleagues have said. It requires consultation with people that are in a distraught condition mentally, from being laid off, suddenly laid off. It goes back to there should be notification.

In the case where you indicate there is notification that would cause the creditors to start to foreclose on a company and create kinds of problems for them, that happens in Chapter 11 anyway. It doesn't happen because creditors long before the time—that a company is going under know it because they are not getting paid for the goods and services they provide.

Chairman Hawkins. The gentleman's time has expired.

Mr. Brock, do you wish to comment on it at this time?

Secretary Brock. If I may, Mr. Chairman, just briefly.

There is no way you could possibly have seen the legislation, but I commend it to you. What we have done in the legislation is do what you have asked us to do. When we can Title III, part of it is because we don't provide counselling.

In this legislation we do. We clearly provide it. It is an essential element of the program.

I don't disagree with what you say. I think it is important to get in there early, to intervene as quickly as we can.

Let me just come back for one second to that last point you made on plant closings. Plant closings are not Chapter 11 situations.

Plant closings, by and large, are caused by simply either competitive forces or changing consumer preferences or changing technology, and they occur within very healthy corporations.

In that situation you can have a situation where maybe they are going to replace the plant with something brand new across town or maybe across the country. You can make sure that they do that by drying up any source of credit they might have and you could create a Chapter 11 situation.

That is what I want to avoid. It is very difficult to write legislation that encompasses that kind of flexibility.

Chairman Hawkins. Mr. Gunderson.

If you stay long enough, Mr. Martinez, we will get back to you.

Mr. GUNDERSON. Mr. Chairman, thank you, and Mr. Secretary, thank you for testifying and providing the leadership on this whole issue.

Your department has done it in the past and I think you've done it again by simply developing a revised delivery system you have done more to cause not only a new focus on, but a better delivery system in the area of training and retraining.

I have a couple comments. I share the frustrations that some of my colleagues on the other side have echoed in regard to vocational education and the funding cut. I would point out however, as a friend of vocational education, that when it is all said and done, those States which have sound, post-secondary vocational education delivery systems will have more money under this program than they now have in responding to those particular needs. We need to recognize vocational education is no longer a general survey course to find out whether you want to go into industrial arts, home economics or something else.

Vocational education's role in our society today has to change and, very frankly, get with the program. I am saying that as a friend.

I have a question I am surprised no one has asked thus far. You are, in essence, almost tripling the amount of funds in your proposal, which is dramatic in and of itself from this Administration and this budget area.

Can you assure us that we can make an early proposal and soundly set up a delivery structure within one year's time period to use all those funds? I think there is some legitimate concern that ought to be focused in that area.

Not that we ought not have this as a goal, but can we get a start-up in a delivery system within one year's time to use the amount of funds you are advocating?

Secretary BROCK. That is a fair question. I think the need is obviously there. Whether the structures are in place is a relevant question to whether we can effectively and appropriately apply the resources. The answer I have is, yes, they are there because we are using the States and existing systems. We are not trying to reinvent a new wheel.

Under the Formula Grant Program, the 30 percent, which is approximately the amount of money we are now spending, goes out under the formula. I don't think there is any question that it would be done at least as well as it is being done now.

The discussion comes about because the States have to apply for them. They have to come in and say this is what we want to do, these are the programs we have proven that work and we would appreciate your funding.

When we make that evaluation we do it on a quarterly basis. We fund on a quarterly basis and if it is not working, we can respond quickly to it. So I think we have a much better management process here that allows us greater confidence the funds will be appropriately used.

Mr. GUNDERSON. Changing focus, if I can, for just a second, I appreciate the emphasis that is being used in the present service delivery area system. However, the legislation, as I understand it, tells States that automatically any service delivery area with a population over 500,000 will automatically be certified.

Those less than 500,000, will be up to the governor, I believe, to determine whether or not——

Secretary **Brock**. That is right.

Mr. **Gunderson**. From a rural area with good service delivery areas, I am concerned. I think there is a subconscious message sent to rural service delivery areas you may or may not be doing an adequate job, you may or may not be certified and when you look at the problems we have with geography, the implications of a plant closing in a rural area are much greater than the similar plant closing in an urban area.

I am a little concerned we may be sending a troublesome signal I don't think you want to send. Would you comment on why the decision was made to use service delivery areas over 50,000 as being automatically certified?

Mr. **Semerad**. I can't tell you with precision the whole decision processes, but clearly we are trying to encourage the better targetting of money, depending on need. And part of our rationale really is that we here in Washington cannot possibly know about every community in the country. The governor and the system that the governors work out on this package would include those kinds of concerns of the smaller communities and can indeed deal effectively with them and have sufficient resources available to do so.

I think it is really up to the States. We are trying to be good partners with the States. We are trying to wrap this into economic development. As we said earlier, the governor is the winner in this package.

It provides much greater precision rather than some arbitrary formulas at this end to encourage the States to deal with the questions that you are citing. I think there shouldn't be any losers. If the need is there, the system that we are proposing really deals with that.

Mr. **Gunderson**. Let me quickly focus on a third area.

Vouchers have become a dirty word in the education system in our country at the Federal level. You are advocating a voucher in the training system. Can you enlighten us or expand upon your concept of a voucher?

Mr. **Semerad**. Yes. This also gives me the opportunity to suggest something in response to Mr. Martinez' question.

The fact is a lot of workers who find themselves laid off come in for counselling and they have had a great shock and they say, I don't want training, I don't want it, I am 45, 55 years old, I don't want to go back to school. Our proposal allows us to give that person in the counselling process a certificate. So for up to two years that person can come back in. He may get another job, get a low-paying job, may decide to take his benefits and run them out and go hunting, but at that point he can come back and take training.

We offer a voucher. We are not setting a value to that voucher, but we are saying, we are handing something to you perhaps that says you can be trained in a voc tech center, a junior college, a college, high school or whatever, and depending on the decisions of the local community on whether it is an accredited institution, we will pay for that training up to 104 weeks.

For somebody who needs to radically change their career, maybe to go from that high-paying industrial job to a high-paying, more technically oriented skill-based job, the voucher becomes a mechanism that the communities can use to assist that worker. We have to change the culture in this country to get people to accept retraining. Because our competitors are not going to wait for us to figure this out.

People have to accept that. I know it is hard. It would be hard for any of us.

Mr. **Gunderson**. Mr. Chairman, one final thing. I would like to ask unanimous consent to submit an opening statement for the record.

Chairman **Hawkins**. Without objection, so ordered.

[The prepared statement of Hon. Steve Gunderson follows:]

PREPARED STATEMENT OF HON. STEVE GUNDERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. Chairman, I first want to commend you for calling together the series of hearings that our Committee is conducting on the important role of the Nation's education and employment/training programs in development of a sound United States trade policy. At no other time have our Committee's programs been of more importance to the United States' competitive position than now, as we strive to compete in the international marketplace.

The U.S. economy is in a constant state of change today. As our industries restructure to become more competitive, "old" work is eliminated and "new" work created. Unfortunately, while this change is in many ways healthy and productive, it also results in numerous business and farm closures and resulting permanent worker and farmer displacement occurring each year.

According to the Bureau of Labor Statistics, between January 1981 and January 1986, over 5.1 million experienced workers, those with three or more years of employment, were permanently displaced from their jobs. Of these dislocated workers, the majority have since been reemployed, however over half of these individuals have taken jobs at a rate of pay significantly lower than what they were paid in their previously held jobs.

This is not to say that all the news is bad however. In fact, one of the biggest obstacles that we face in addressing this problem has been that too much of the current debate over structural economic change has been focused on the fear of change itself. Not enough attention has been placed on the employment opportunities being created, nor on the conditions needed to support the successful transition from old to new work.

While it is true that a large number of manufacturing jobs have been lost over the past several years, we too often overlook the extraordinary capacity of the U.S. economy to generate new jobs. Approximately 28 million new jobs have been created over the past 15 years, 5.5 million since 1984 alone.

Most of these new jobs have been created due to the ever-increasing growth of the service industries. Such growth would ordinarily be considered a sure sign of expanding opportunity, were it not for the concerns being voiced regarding the quality of service sector employment. Many have expressed concern that this restructuring of the economy, a movement from the manufacturing to the service sector, is resulting in an erosion of our "middle class" -- a movement from "high paying" manufacturing jobs to "low paying" service sector jobs -- a "McDonaldization" of our workforce. However, this is extremely misleading. Service-producing industries cover a broad spectrum of jobs, some of which are relatively unskilled and low-paying, but many of which require high skills levels and are comparatively high-paying.

In fact, nearly 16 million new jobs are expected to be created between 1984 and 1995. Much of this growth will be concentrated in five broad occupational groups, three of which (executive, administrative, and managerial workers; professional workers; technical and related support workers) have the highest proportion of workers with a college education or specialized post-secondary technical training.

One fact that we must face today is that the high paying manufacturing jobs of the past, as we traditionally know them, are becoming more and more scarce. And, what we are going to see more and more in the future is that knowledge is rewarded with the higher paying positions. This of course translates to an ever-increasing need for comprehensive education and employment training programs for America's workers.

As policy-makers, if we are to develop programs that will enable the United States to continue competing successfully in today's international marketplace, we must recognize the importance of human capital to our competitive edge. We must develop programs that recognize the necessity of timely action and the value of education and employment training, as there is a strong correlation between length of joblessness and earnings upon reemployment and a strong correlation between education and adjustment experience.

This series of hearings, and particularly today's hearing will provide us with a great deal of insight on the human resources needs of both our Nation's workforce and its workplace. I want to extend a very special thank you to Secretary Brock for his participation in this morning's hearing. I understand that the Secretary is here with us today to introduce to the Members of this Committee the Administration's four new Employment and Training initiatives, including its most comprehensive proposal, the newly restructured Worker Readjustment Program.

While I am not fully aware of all that is contained in the Department's Worker Readjustment Proposal, I do understand that it is an extremely well thought-out measure, designed to carefully address the training and retraining needs of our dislocated workers and to provide rapid response capabilities to service providers so that displaced workers, including farmers and other self-employed individuals, may receive assistance immediately upon the realization that they will be losing their jobs. This proposal could not come at a better time.

I look forward to working very closely with you on this and other initiatives Mr. Secretary, as we move to ready our workforce to meet the challenges that lie ahead. Knowing of your strong commitment to the education and training of the Nation's workforce, and of your recognition that human capital is one of our greatest ingredients to a successful competitive strategy, I am confident you will lead us toward a stronger U.S. economy and workplace.

Again, I commend Chairman Hawkins for calling together these important hearings, and I look forward to hearing the testimony of the Secretary.

Chairman **Hawkins**. Mr. Owens.

Mr. **Owens**. Mr. Secretary, I have one basic question. It appears to me, I want you to respond, that you have taken a harsh triage policy where you are dumping overboard large segments of the American work force and not dealing with them at all.

In your AFDC youth program, you talk about how the program will serve 160,000 youth. That is 10 percent of the eligible population. In a city like New York, the number of applicants for the summer youth program last year was between 110,000 and 120,000 eligible applicants.

So a hundred, ten percent, 160,000, the ten percent you are going to serve with this program, you are dumping overboard all the other 90 percent who are eligible.

You talked in your readjustment—dislocated worker program, you are talking about workers who have jobs now, who may lose them, workers who have had jobs recently and have lost them. You are not talking about any kind of program for the workers who haven't had six months of continuous employment since 1981.

In my district, there is a high unemployment rate, for adults between 20 and 24 percent and between 34 and 49 percent for youth for the last six or seven years.

You are just going to dump overboard all of the hard core unemployed and not try to deal with them at all? Is this in the best interest of the Nation?

Does this serve our national security interests?

What about the impact of all these unemployed adults on a problem that has been cited here several times, the dropout problem that is going to affect our competitiveness. The youth in homes where the adults are not employed, are under a great deal of pressure, suffering the ills the adults have passed on.

There is a basic problem, a lack of income in the hard core poverty areas. It appears you are going to take a pilot program or demonstration program approach and address only a small segment of the total unemployed, disadvantaged worker populations out there and be satisfied with that.

Do I read what I see here correctly?

Secretary **Brock**. Yes. You read it incorrectly.

Is that what you said?

Mr. **Owens**. I said "correctly".

Secretary **Brock**. The answer is no. We are not dumping anybody.

We are doing more than we are presently doing under laws passed by this Congress over the past 15 or 20 years. Where the JTPA program is in place, we are funding it fully——

Mr. **Owens**. Funding it fully, meaning what?

At the level it was funded before 1980, or since 1981?

Secretary **Brock**. JTPA was not in existence. CETA didn't work.

Mr. **Owens**. You replaced it with a program that works for fewer people.

Secretary **Brock**. I don't think you can make that case. It works well for those benefitting.

We trained two to three million people under it. We are adding to that $980 million in far more effective funding for workers who are unemployed.

We are adding to that——

Mr. **Owens**. Workers you anticipate will lose their jobs and had jobs until recently and will be unemployed? Are you dealing with hard core who haven't had jobs in the last five or six years?

Secretary **Brock**. We are not asking why someone is out of work. We are saying if you are out of work, we are going to try to help. What we have now is a program, the TAA program, where you have to be trade-displaced before you can get any support. This program will allow a Governor to come to us with a program for any particular community in that particular State.

We can't treat farmers today under the present TAA approach. Here we can treat anybody and provide training that they simply have not——

Mr. **Owens**. How many eligible persons do you anticipate being able to serve with the amount of money you have allocated?

Secretary **Brock**. We are able to reach about a million now, plus something over 200,000 under the TAA and Title III. This will be increased under our proposal.

Mr. **Owens**. What percentage of the eligible would that be under that worker adjustment program?

Secretary **Brock**. I don't know how to answer that. The displaced workers, we think we are going to reach virtually all that need retraining assistance.

More than half of the 1.5 million that are displaced each year will find reemployment on their own. We are going to treat or support 700,000 under this particular program.

You couple that with the million to whom we are providing JTPA services and then you add 160,000 in the AFDC approach.

By the way, understand that depends entirely upon you and your State. If you want to continue the summer youth program, you have a right to do that. If you want to mix some summer youth with some retraining, that is fine.

If you want to put all of it into retraining of hard core disadvantaged young people on AFDC, you can do that. We are trying to enhance your flexibility to deal with your problem in your own context, so you maximize your yield.

Mr. **Owens**. For the ten percent eligible.

The 90 percent, forget them.

Secretary **Brock**. That is factually not correct.

Two-thirds of these being supported under JTPA now are young people, two thirds. You are not saying 160,000. You are adding 160,000 to a much larger base than that.

Chairman **Hawkins**. Mr. Tauke.

Mr. **Tauke**. Thank you, Mr. Chairman.

Mr. Secretary, I am frankly a little disappointed at some of the responses this morning.

I think this committee, especially given its interest, should be applauding you for your work, clapping you on the back and saying go for it. Clearly, the proposals that you have brought before us, while not solving all of the job training problems that we potentially have in this nation, these proposals are a giant step forward from where we are. And not only are you restructuring existing programs and replacing programs that have had a checkered past with programs that hold a much greater hope for the future, but also you are tripling the resources. Frankly, I think you ought to be commended for not only getting that proposal through the bureaucracy of your own department, but also through the rest of the Administration. I know that it hasn't been easy, and I, for one, am grateful to you for the work that you are doing.

Secretary BROCK. Thank you.

Mr. TAUKE. I am concerned, as I spoke with you briefly about earlier, however, about what happens between now and the time this program or something similar is put in place. In my own congressional district, I have a situation which is causing concern relating to the Trade Adjustment Assistance Program. Several months back we had a factory, FMC, which closed and those workers were certified for TAA, they received full funding for their retraining and there was a lot of satisfaction with the program.

Now, employees at Harnischfeger in Cedar Rapids lost their jobs when the plant closed. They were also certified for trade adjustment assistance. The application for training funds was made, but we were disappointed to find that although we requested $480,000, we only got $80,000 to retrain those workers, on the basis that, there wasn't enough money left in the account.

I am concerned about the lack of available funds in the Trade Adjustment Assistance Program to carry out the mandates of that program until a new program is put in place. Can you tell me what funds might be available under that program for training and other employment services between now and the end of the fiscal year?

Secretary BROCK. Congressman, we are on an extremely tight budget. I will have to go back and see what we can do. I can't answer that directly without having access to those facts.

I will try to do that. We have known for some time that we are on a very tight and very constrained budget in both the Title III and the TAA areas. Part of the problem you see is that we are required to fund those programs for the States whether they use them or not. I do not have the ability to reprogram those funds and put them in a district like yours that needs a support process immediately.

I don't have that flexibility.

Mr. TAUKE. I think that is true under Title III of JTPA, but trade adjustment assistance there isn't a formula; is that right?

Secretary BROCK. That is true. In trade adjustment assistance, we have a different problem in terms of the funding itself.

Mr. TAUKE. Just out of money.

Secretary BROCK. Yes.

Mr. TAUKE. Are you giving consideration to seeking a supplemental appropriation for trade adjustment assistance given the fact we apparently underestimated the use of that program this year?

Secretary BROCK. No. We have not done that at this point. I will have to take a look at it. I am not sure if it would be possible to do that or not.

Mr. TAUKE. Can you give me some insight as to how you evaluate requests from State agencies for TAA funds?

Mr. SEMERAD. Congressman, it is a complicated process. I can't give you all the details. We have reworked it to respond to Congress' instructions that the certification process be done within 60 days. That was a giant step for the bureaucracy that was accustomed to a big case load and longer lead times, so we have done that to conform to your instructions.

Clearly, there is an investigation that goes on in the field to really determine whether or not it is trade impacted dislocation. I would also say——

Mr. **Tauke**. If I may interrupt, in this case it isn't a problem of the workers not being certified, the workers are certified. Now that they are certified, we have kind of left them hanging high and dry.

Mr. **Semerad**. The situation that you cite, from my recall, is about average. That the States request X amount and that is reduced rather significantly because of the funds available. The Administration has not been anticipating a supplemental. In fact, you will recall we proposed zeroing out TAA this last time around and were unsuccessful in that effort.

Chairman **Hawkins**. Mr. Hayes.

Mr. **Hayes**. Thank you, Mr. Chairman.

I will be brief.

I would like to ask you, Mr. Secretary, if you anticipate this proposed program of retraining will ultimately lead to reduction in the current number of unemployed people in this country?

Secretary **Brock**. Yes. I think what you are trying to do is increase the capacity of this country and the people in it to redeploy into new areas of opportunity whether it be geographic or technological or economic. If we don't improve the skill base, we freeze people.

By increasing their skill base, we give them the tools, the flexibility to do whatever is necessary for their own growth. It certainly will help.

Mr. **Hayes**. As one member of this committee who last year did a lot of travelling through the hard-pressed unemployment area, one area which I remember specifically was up in the northeast, Portland, Maine, in that area which was dependent to a large extent on the garment industry, the shoe industry. Those jobs are now gone overseas.

Those people I talked to were already in the training program, but the problem was they didn't know what they were going to do after being retrained because the jobs weren't there. Some didn't want to relocate to other areas.

You have the same kind of problem with the consolidation of the airlines. The kinds of mergers that are taking place, the buy-outs that are taking place now. It is going to result in the displacement of a lot of people with no consideration on the part of some of these corporate interests who are making big bucks out of these kinds of transactions.

What do we do with these people? Retraining without some kind of a program for placement is not going to be a solution to the problem.

The same thing exists in my area of Chicago in steel. U.S.S., for all practical purposes, is almost gone.

General Motors in the close down of the plants and the whole farm equipment industry in the State of Illinois is gone. Just to retrain the people without any idea where they are going to be placed, I don't think is going to solve the problem.

Secretary **Brock**. Yogi Berra used to say I have a feeling of deja vu all over again. I think we are in that situation. Let me point out we could have had this conversation in 1910, or 1920. We had 30, 35, or 40 percent of the people on farms. We redeployed those individuals and gave them better opportunities.

They went into the Ford plants and steel plants. What is happening in this country today is a parallel circumstance. We have probably 13 to 14 percent of the American people left on the assembly line. There will be half that percentage by the turn of the century because we are automating, we are putting in robotics and we are adopting the new technologies of computers. It doesn't mean the new jobs are lesser jobs.

It means they are different and the skills requisite to those jobs are different skills. We no longer have the need for manual skills as much as we do cognitive skills and communication skills.

So we have to reacclimate ourselves to that fact and we have to move our training system to the point where it can deal with that new opportunity and that is precisely what we hope to do.

We hope to be able to redeploy these human resources, we hope to be able to give them a new chance, but we can't do it by continuing to do what we are doing. It isn't working.

We have to change. And we have to get them to have a voice in that change. If relocation is required and they are willing to do it, fine, we will be happy to support that. If it is not and they want another opportunity, we will help them find it.

We will give them a choice so they can devise their own training program if that is the way to go, so they seek their own course. But what we do today is not relevant to what this country needs in the next 12 or 13 years. We simply have to change.

That is what we are asking for the authority to do.

Mr. **Hayes**. Please understand my approach and question is not directed towards any partisan approach at all, it is a human approach.

Secretary **Brock**. I understand.

Mr. **Hayes**. I have admired many things you have done. My point is I don't think it goes far enough in the direction we should be going in helping people. We play with numbers, statistics and our releases. The situation is much worse than we ever tell the public, but that begins to come to the forefront as people continue to look for jobs.

I get more constituent mail from people who want jobs. When we talk about seven percent, that doesn't tell the story of people who have been forgotten altogether because they have exhausted their unemployment compensation somewhere.

You have new people coming into the work force every year.

Secretary **Brock**. I am going to make you a couple of forecasts. One, based upon the factual data, we are going to have a lot less people coming into the work force. Growth is going to be down to about one percent by the year 2000. It has been three percent.

The baby boom is over. Now you are at a circumstance where the work force is going to get older, it is going to get more skilled and more productive, and I am going to guarantee you that if we can solve the overriding problem of the deficit, which still poses a threat to this country, if we do that, this country is going to be skill-short within three to five years in every category that you can name.

We are going to have an enormous demand for people with skills in occupations that we are not even thinking or talking much about today. If we can provide them with training opportunities now, they are going to have a job. There will be a job in this country for everybody with a skill, and it is going to come in the very near term. We are going to be desperate for those skills.

Chairman **Hawkins**. Mr. Grandy.

Mr. **Grandy**. Thank you, Mr. Chairman.

I would ask unanimous consent to include my opening statement in the record.

Chairman **Hawkins**. Without objection, so ordered.

[The prepared statement of Hon. Fred Grandy follows:]

PREPARED STATEMENT OF HON. FRED GRANDY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Thank you, Mr. Chairman. I am delighted to be here today to have the opportunity of addressing an issue of vital importance to the Sixth District of Iowa as well as to many districts across the country.

I am also pleased to have Secretary Brock with us today to present to the Committee the Administration's plan for training and retraining the American laborer displaced by plant closings, the loss of America's competitive advantage in the world market, or for a variety of economic factors unique to each sector of American industry.

The Sixth District of Iowa, like so many parts of rural America, has been undergoing tremendous economic transformation since the amassing of huge grain surpluses which have driven commodity prices to historic lows. At the same time, we have been crippled by a sharp drop in international trade. The loss of many grain markets to our competitors in South America and Europe, coupled with grain embargoes intended to alter the activities of foreign governments, puts the American farmer in the position of competing directly with its own government.

US ag policy of the 1970s created incentives for the ag community to overproduce under the assumption that foreign competitors lagged far behind American producers in efficiency. Today we are reaping the harvest of grossly miscalculated market projections.

The agricultural crisis has invaded the entire rural economy and we are witnessing the greatest challenge to the heartland of America since the Great Depression.

Federal Revenue Sharing, at one time the foundation of rural economic development, has been cut from under the small community. What was the farm crisis has become a rural crisis.

As we begin to shape public policy to retrain displaced workers, we cannot ignore the unique situation of rural America. We cannot, for example, put in place an assistance formula which pits the cities against the rural areas as is the case with the rural/urban differential in Medicare payments to hospitals, which is having a devastating effect on rural health care.

With these things in mind, my concern today is three-fold:

One: We must fully recognize that federal unemployment statistics do not accurately reflect the true number of unemployed or displaced workers because farmers are not accounted for in the statistics.

Two: We must make compensations to the broader family farm operation which, when displaced, often affects not only the owner/operator, but often the spouse and possibly several other family members who contribute to production.

Third: As the farm economy continues to evolve, we see a growing necessity in many cases for farmers to supplement their farm incomes with employment in manufacturing concerns, for example, in order to remain in agriculture. These considerations, along with the economic development plans of the states individually, must be included for any initiative to be responsive to the needs of rural America.

Mr. **Grandy**. Mr. Secretary, your appearance here today is extraordinarily timely for those of us who serve on the Agriculture Committee. Yesterday a group of us opened what I hope will be the first of many discussions on a rural development agenda, trying to focus on the problems of job relocation and job loss in our farming communities.

One of the interesting things that we have uncovered is that a lot of Federal assistance, as it works its way down to the states, is usually skewed more toward urban areas than rural. Instances I would cite would be the calculation of highway trust funds and the medicare prospective payment system. Today I wanted to review a little bit with the funds that will come for the relocation of dislocated farmers, which I think is commendable and very much needed. I might point out in my district the job training partnership program has had a 97 percent placement rate. So it is a very successful program, and I think it indicates that farmers are very retrainable and very amenable to retraining.

But my concern is this: Are the funding allocations to individual states in your worker readjustment program based in any part on Federal unemployment statistics in those states? Because, as I am sure you know, in a state like Iowa there may be a disproportionate number of workers who do not fall under these Federal unemployment statistics. They don't collect unemployment insurance. What do we do in an instance like that to target these particular workers?

Mr. **Semerad**. Mr. Grandy, the Department of Labor did make a modification in Title III to include farm workers who were losing their jobs. Clearly farm workers, like steel workers, are losing jobs that aren't going to come back. So the dislocation, not only to the individual but to the communities, is every bit as traumatic as those in more urban or industrial areas.

We recognize the problem. Dislocated farm workers who go into our proposed program can be counseled, retrained and have relocation assistance to do so. They are eligible, and we will make every effort to help them.

In terms of exploration outside the rural area into a new career it is certainly within the purview of what we are proposing. You are absolutely right, farmers are good workers, and they are going to be good workers some place else, and we need to help them in every way we can to recapture that productive capacity and that good habit.

The figures go to states in terms of where the flow of money will be. But as the Secretary has pointed out, we are going on a quarterly drawdown basis on this $500 million new package of training funds, and we will be able to have that money reallocated to rural areas or urban areas as the need is demonstrated on a quarterly basis rather than waiting two years to decide whether or not the money was needed or the formula was correct. So we would have the ability to address real problems.

Mr. **Grandy**. Are you telling me there is a way to identify those farmers in other than the traditional means that have heretofore calculated unemployment statistics?

Secretary **Brock**. You have put your finger on a difficult problem for us in statistical terms. Every farmer I know of in Tennessee is a family farmer, and the whole family works, I mean the kids work from the time they are kindergarten kids, they are out there feeding the chickens. So the whole family is in a sense employed.

Mr. **Grandy**. That was my next question. We have an enormous amount of women being displaced from the farm. I assume they would be identified under this procedure as well.

Secretary **Brock**. They would be subject to support. Our problem, to use your word, is the identification, because under our normal unemployment data process, we would treat the farmer as employed. But if his wife is basically a housewife who works in the yard and does what a wife does, two jobs instead of one—then she is not listed in the statistical base nor are the kids. That is something we have to wrestle with.

Mr. **Grandy**. Is it conceivable a state like Iowa might calculate the formula itself and then submit it to you based on their own particular employment needs?

Secretary **Brock**. Sure. One of the things we hope to do, we are asking for your approval to do, is to give the Governors the authority to do what is requisite to that particular circumstance in that particular state.

Mr. **Grandy**. Thank you.

Chairman **Hawkins**. Mr. Perkins.

Mr. **Perkins**. Mr. Secretary, I want to thank you for taking the time to come down and be with us today. I certainly think—and I share the feelings of a number of my colleagues who have spoken earlier, Mr. Goodling, Mr. Tauke who indicated there were some significant portions of this proposal that I think we will be able to build upon and go forward with. I am always excited somewhere in that liberal spendthrift vein that I have when I see spending going from $340 million for a program I believe in to somewhere around $980 million.

I am glad to see the direction we are taking here, and I certainly believe this is a good first step. I am glad to see it coming from this administration. I do think there is a problem in trying to quantify exactly how many people we are talking about. I know Fred was asking his question—we are getting into definitional problems. Obviously, when you are trying to come up with definitions, I realize there is a problem. Earlier you said we might impact two million people. There might be 15 million people under another definition that would need to be impacted.

What is the target group we are really dealing with here, what type of need that we can quantify, can you give us something that—you know, when you try to design programs and look toward what the need is to be fulfilled, you have to have some sort of quantification of what is out there. Can you give me some hope we can see some of this quantification in the future?

Secretary **Brock**. The worker adjustment aspect of this program is attempting to deal with those workers who are annually displaced by changing consumer preferences, trade or technology. We are not asking why as we have in the past. We are saying "You are displaced, you are out of work, we are going to try to help." That number is about 1.5 million. The highest I have seen is two million. Our estimate is about 1.5 million, but somewhere in that range.

We have assumed somewhere close to 55 percent of them, frankly, will move quickly into a new occupation or retire if that is their choice; they will not seek or need help. The target population is about 40 to 45 percent. That is where the 700,000 came from.

Mr. PERKINS. You are probably hitting with this program around 40 to 45 percent?

Secretary BROCK. We think we can probably virtually hit all who seek support in that group because others will know of job availability in the area, that they have a skill that is appropriate, and they will move right into that job.

Mr. PERKINS. Let's move on to another area. We don't have all the specifics in front of us. In your statement, you indicate 20 percent of the total funding mechanism, almost 200 million, will be available for the national reserve system. I realize you are talking about for emergency situations that suddenly develop, you move rapidly to try to take care of any kinds of problems that come up there in this reserve fund. That is about one-fifth of the program we are talking about for discretionary funding here.

Is there any type of general overall specifics you are trying to state as far as what are your first priorities, what are your priorities in that discretion, and is that fund maybe a little bit too large?

Secretary BROCK. I questioned, when Roger asked me the same question, whether it was too small. This country is in such a ferment, economic change is occurring so rapidly, we simply have to be able, when your colleague up in Massachusetts, Quincy, Massachusetts, has a shipyard that closes down, with 6200 jobs down there, we have to get in there real fast and be able to respond. That is what we are looking for.

We are also in this general category——

Mr. PERKINS. In terms of your prioritization, is it going to be that the prioritization is specifically for these types of situations, the displaced, the emergency type situations? Are there any other prioritizations that occur within this funding?

Secretary BROCK. Yes, we are going to use it for a lot of different tests of different concepts, pilots, demonstrations, things like that, to see if we can find some new ways that are more effective. Picking up on the Canadian example, for example, that sort of thing.

Mr. PERKINS. I would be interested—is my time up? Is that what you are trying to tell me?

Chairman HAWKINS. Yes.

Mr. PERKINS. Can I ask one more quickly?

Chairman HAWKINS. We will get back to you. Or is it a brief one? Will there be a brief response? Let's gamble on that.

Mr. PERKINS. In terms of your incentives on plant closings, I am glad to see you are going toward giving something toward plant closings. In terms of these incentives, I haven't been able to get the details as to exactly what they are. Could you provide me a little information?

Secretary BROCK. Why don't you let me write that up and send it to you.

But basically it will cost a firm more in terms of the unemployment insurance process not to do it. They will get a lot more services, a lot more support from us.

Mr. SEMERAD. As we said earlier, we are not suggesting penalties. The advantages will be very clear, and bear in mind we are not talking about just laying off people. We are talking about protecting markets. There are a lot of incentives for an employer not to have to do a mass layoff.

Mr. **Perkins**. If you would provide that for us.

Mr. **Semerad**. It is in the bill.

[The information from Secretary Brock follows:]

INCENTIVES TO ENCOURAGE ADVANCE NOTICE IN THE ADMINISTRATION'S WORKERS READJUSTMENT PROPOSAL

The major direct incentive for employers to provide voluntary advance notice of closing and layoffs is provided by section 1263, which permits the States to provide a credit against State unemployment insurance taxes to employers who give advance notice of plant closing or mass layoffs of 50 or more employees. The amount of the credit would be up to $200 for each employee involved.

In addition to this direct incentive, there are a number of features of the new proposal that are expected to indirectly encourage voluntary advance notice. For example, the existence of a State agency for the specific purpose of rendering adjustment assistance is expected to encourage employer willingness to cooperate with the community in providing an orderly close-down. The fact that the new program will provide immediate and substantive assistance to workers is also likely to encourage firms to provide early notification. There is reason to believe that once employers know that their provision of notice will result in assistance that will materially affect the future of their employees, they are much more likely to see voluntary notice as a civic responsibility.

Chairman **Hawkins**. I gambled and I lost. Mr. Ballenger.

Mr. **Ballenger**. Mr. Secretary, you have spoken about redeployment of workers and so forth and so on, and as you and I discussed earlier, I come from an area of the country which is fortunate in the fact our unemployment rate is less than five percent.

Is there anything in this program that might develop the idea where workers—you know the system at the present time, the welfare system that we have, and most systems are designed in such a way they want to keep—I mean they persuade the worker who has been laid off, stay there, eventually something is going to change, and maybe you will find a job. But in an area of the country where we need workers, is there anything in the bill that you are speaking of that would—you mentioned relocation assistance. I don't know whether that was an actual fact, hope or what, but is there anything in there that would assist workers with the idea, look there is lots of jobs available in North Carolina. How do you get there, is there any assistance available for such things?

Secretary **Brock**. Yes, there is quite a bit. The first thing is to tell them where they are, and that is where the counseling comes in. Job search assistance is there. It will depend in part on what the Governor's program is. The Governor can have, if he wants, some method by which they support workers to go from the Piedmont area to another part or into the Piedmont area, if that is the choice.

Mr. **Ballenger**. We mentioned Chicago having steel shutdowns and all these things. Are they advised there are jobs available somewhere else in the United States?

Secretary **Brock**. That would be part of the counseling, as to where jobs might exist for a particular range of skills, sure.

Chairman **Hawkins**. Mr. Sawyer.

Mr. **Sawyer**. Let me reiterate the sense of relief and pleasure a lot of us take in some of the directions you are going and by building on established programs. I'd like to talk about something we have talked around for a moment. We talked about those folks who are out of work or those we can immediately anticipate being out of work and the work you are doing to anticipate the needs of those who may well be out of work in the year 2000. We have talked about the enormous cultural difficulty that comes with moving people who really viewed their education as over at perhaps age 18, 20 or 22 into a circumstance where they can be retrained and the great difficulty you have had in trying to build on those established programs that are in place and make some sense.

It seems to me that one of the arenas that we have not really talked about is that very formalized educational and retraining tool that we invented in this country in the form of a kindergarten through secondary school, through post-secondary technical training and higher education. It is important that we not only react to those people who are displaced or who are out of work but those who are confronting today the volatile character of change in the work place itself. I would hope that you would use the telephone line that you have between your department and Secretary Bennett's about moving the resource that he has into the work place itself like you have monitored and taken photographs of and are attempting to deal with.

Now, to some degree I suppose that the program that you describe anticipates some of that, the Governors will be able to take within their narrow purviews some of those resources and perhaps begin to anticipate that need in the work place itself. I am not sure that that is sufficient. And I am not asking you to do that this year.

But what kind of work are you doing to move that enormous infrastructure in education and training out of the place where it is so uncomfortable for people to deal with and into the place where it is most needed?

Secretary BROCK. Oh, Lord, you just hit a hot button. I feel so strongly on the subject I am not sure you have enough time to go into it. Whatever we do in this country is going to be more expensive than we can afford and less effective than we can tolerate if we don't deal with the education problem. And we have to start in kindergarten, we really do. You remember the old study we in this Congress authorized, Mr. Chairman, back in 1961 or 1962, a study of the value of preschool education in Ypsilanti, Michigan and Harlem, New York. That study is not hypothetical, those folks have grown up now, and we know what happened with them. The rate of teenage pregnancy went down 50 percent. The benefits are absolutely awesome if we do the right thing in the front of the process, in other words, in the school system.

Chairman HAWKINS. Mr. Secretary, if I may interrupt, you have anticipated me some, because you agree that was—an excellent program, but we are not putting enough resources into a program that you agree is cost effective; that would have solved a lot of our problems. We are not reaching 82 percent of the eligible and we are cutting back. Since 1981 we have cut back tremendously on these programs that are demonstrably cost effective.

What can we possibly expect if we keep cutting back on these programs and children grow up illiterate and unable to read. They then drop out of school and we don't reach them at all. I think you are getting down to why this committee is so serious about this proposal that we endorse. We approve of your suggestion but we have a great number of other problems that are going to make it more difficult to retrain people or have a retraining program ten years from now if we have a nation of illiterate people. We are not going to compete with Japan or West Germany and other countries unless we address a wide range of our problems.

Mr. **Kildee**. I am very familiar with the Ypsilanti Perry School study. You are very correct. What those programs have done is tremendous. Again Secretary Bennett and the President are asking for zero funding in 1988 and a recession in 1987 for follow-through, one of the programs that really has helped us achieve those things studied under the Ypsilanti study. Again, I think your department has to work closely with the Department of Education because they are going to create problems for you very very soon if they don't really ask for funding for these programs with proven effectiveness.

Secretary **Brock**. Roger wants to say something. Then I want to say something.

Chairman **Hawkins**. We will provide three minutes.

Mr. **Semerad**. I want to say a couple things. Yes, we are not proposing the numbers that can take care of all the kids at risk. I think one of the things that we have learned over the last 20 plus years in these programs, if we are going to prevent making illiterate kids illiterate unemployable adults, we have to do something different to break that cycle of dependency, or whatever it is. We ran a little test on five cities on your summer youth program where the communities decided to put in a literacy or math component into the summer experience. I don't know if we have published the data yet, but it is something on the order of a one-year gain for those kids. That is a six-month gain in their reading versus a six-month deterioration over the summer months.

We also put 30 kids through a Job Corps center during their summer program out in Utah, just to experiment with a good job corps structural package. There were two year gains for these kids in math and in reading. We need to do something about that. If you recall last year when we came before Congress, Congress denied us the authority to mandate literacy training as part of the summer youth program. I think we have got to decide what works here—we know what works—and get on with it.

Chairman **Hawkins**. My understanding from the staff is that we did mandate there should be a remediation program. What we did not mandate was a certain percentage of funding. So I think that should be corrected. Don't blame this committee. Is that correct?

Mr. **Semerad**. That is not our understanding, Mr. Chairman. It was—the wording came out it was permissible and indeed a number of communities have included this to their credit in the programs, but it wasn't something uniform.

Chairman **Hawkins**. I think you interpreted the wrong instruction. We will be very glad to clarify it.

Secretary **Brock**. Thank you. That is all we ask, Mr. Chairman.

Chairman **Hawkins**. We hope you keep the Job Corps centers alive. Don't close them, otherwise it is a very moot question.

Secretary **Brock**. We are trying to do that.

Chairman **Hawkins**. I know you are.

Secretary **Brock**. Let me come back to the question. The gentleman has asked an important question. I really think this question goes beyond any budget, any person, it goes to what must become a national sense of commitment to education as a lifetime process. Businesses are going to have to understand they are going to have to re-educate their workers continually as they work on the job. Labor is going to have to support that. You are going to have to have adult education programs available throughout the workers' lives. They are going to have four to six jobs. They are not job hopping. They are not only going to change jobs six times, but their careers two to three times on average.

That means they have to be flexibly trained, to be adaptable and to have the capacity to look for new skill opportunities. We simply have got to re-think what we mean by public education in the United States. We are not doing an adequate job. We are not even approaching it, and we have to come together. Businessmen and labor union leaders and educators are like ships passing in the night, they don't even talk to each other. Voc Ed people won't talk to high school people, high school people don't talk to college people. They don't talk to technical institutions.

Mr. **Sawyer**. Those distinctions we used to make are so blurred today in the work place it doesn't make any sense. What can we do in these proposals that we have before us to help open that door a little more than it is today so the work place itself does become a vehicle for that kind of—not so much retraining after the damage is done, but training in the course of employment itself? What can we do?

Secretary **Brock**. I wish I had a simple answer to that. I think what we are trying to do with this whole program is not just say we need the substance of an adjustment assistance or AFDC program for disadvantaged kids, but to say something larger to the country, that is we have to re-think this whole process and make a new commitment to education, all of us, everybody. Nobody is exempt, there are no cop-outs, no excuses. We are not doing what we have to do to provide our children with opportunity, and if they are going to be productive human beings, it has to go on.

Chairman **Hawkins**. Mr. Wise.

Mr. **Wise**. Thank you, Mr. Chairman.

Two questions, Mr. Secretary. Joining with my colleague, Mr. Tauke, as you make the transition from trade adjustment assistance to this program, I would like to echo his concerns. I had the choice today of missing this hearing or the plane back last night so I could attend a rally on our state capital steps of several hundred coal miners and Volkswagen workers who are in the same dilemma. They have been certified for trade adjustment benefits, but they are being told there is no money. You have been very sensitive to that problem in the past, so I urge you and the department to investigate this.

Our State of West Virginia has made application to you several times, and I think the last—we probably requested somewhere around $1 million for what must be 1,200 workers at least total in the state. I think we have $138,000. I understand the pot is very low, and you are having to spread it out over a large area.

But if that pot is low, I would hope the department would ask for a supplemental as indeed it is the Congress' obligation also to grant it and try to respond. It is a growing, growing problem, and as Mr. Tauke spoke, I heard several other members close to me also nod or murmur affirmatively. We have hundreds of people who have met the requirements and are certified and now being denied the training. I would ask your help on that, because it is getting to a crisis stage in my district.

Another question I had is, both the unemployment insurance system and the public employment provisions of your legislation, I notice the states would have increased responsibility. What we have learned in the Federal Government or the state government level sometimes is that at the Federal level, when they say we are giving you increased responsibility, they do give the states increased responsibility but no additional resources or indeed takes some resources that were there.

Under Public Employment Services, it notes that states would assume responsibility for financing their programs after 1990. So are we going to be faced in a situation—particularly in a state that is going through great transition right now, parts of Michigan and elsewhere—where we have the Federal Government pulling resources back and saying "You have the responsibility, you also have to run these programs"?

Secretary **Brock**. It is always good to let someone else answer the tough questions.

Mr. **Semerad**. I think our proposals are designed to encourage the re-focus of the employment service to mesh with reality. Yes, indeed, more of the funding responsibility—administrative costs—would be borne by the States, but also they would be able to control what they did.

Now, what does that mean for the current system we have today, where States do pretty much what they want and expect the Congress to appropriate the money to bail them out. One of your neighbor States had a situation just last week where under the Unemployment Insurance Program even though the case load was dropping substantially, the State negotiated through contracts, bity salary raises, which has kept open a large number of offices, and then expected to come back to the Congress to pick up the money, because the formulas by which the VI money now passes reflects the case load.

And what happened really was that under Gramm-Rudman, the Congress eliminated a substantial portion of that money that historically picks up that slack. I think that the employment service under our proposal can become a much more relevant force in the State, adjusting to economic and job change. The process today really is at the low end of the labor market, an important segment. It would not at all be denied under our proposals.

But we need more involvement of the employment services over the broad range of labor market exchange than we have today.

Mr. **Wise**. I am still up in the air as to whether you are saying the States are going to assume the funding of that, in which case we have given them the responsibility and an increased burden.

Mr. **Semerad**. They will assume the funding in 1990. There will be a new process where, if the Federal Government suggests or mandates certain services to be performed, the Federal Government pays for it.

Mr. WISE. If I may, in the few seconds left, get back to my original question on trade adjustment assistance, Mr. Secretary, once again, if you could respond a little bit, I would really appreciate your looking into this. I think we have a real problem developing.

Secretary BROCK. I will look into it, but I will say in all honesty the pot is bone dry.

Mr. WISE. The pot is dry, but should we not be back asking for a supplemental?

Secretary BROCK. The difficulty with that is the general sense that the TAA program is not an effective program, that this new program is a better program. If we could implement it faster, that would be our preference.

Mr. WISE. While we are waiting for it to be implemented, you don't see it being implemented in the next six months? Would the TAA be a pressure point?

Secretary BROCK. There are other programs available. It would be difficult for me to come with a supplemental. We will look at it and see.

Chairman HAWKINS. Mr. Richardson?

Mr. RICHARDSON. Mr. Secretary, I won't say nice things about you because it will hurt you with the Administration. I don't want that. I have deep respect for you.

Let me just say I welcome your proposal. I don't think it is comprehensive enough. I would hope that you get a chance to study the Chairman's proposal which I think deals more comprehensively with these issues.

I have, Mr. Secretary, in my State 4,000 miners last year who lost their jobs. They received about $800,000 in JTPA monies, clearly not enough.

My question deals with the eligibility standards for receiving funds under your new initiatives, how flexible are they?

For years I have been trying to have the Department of Energy declare, for instance, that the uranium industry, which is literally dead on its feet be declared nonviable.

They didn't do that until four months ago, therefore making many miners ineligible for any kind of readjustment assistance.

I wondered if you could go into some detail, about how flexible your program is for instance, how would your proposal deal with those in extractive industries?

Secretary BROCK. One of the frustrations I have, which you have appropriately noted, is the lack of flexibility in the present process.

We are proposing an enormously flexible program. We are proposing, in effect, to take the present money, about 30 percent of the new money, and spread formula it out by formual. The balance will go through either a discretionary fund, which we were discussing earlier, or—the majority of the amount would go through the Governors, and he designed to respond to the particular need of that particular State.

We are not going to tell them how to do it. We are going to say you must incorporate unemployment insurance and the employment service into the package. But we are going to try to give you and your Governor all the flexibility you need to deal with the problem in the fashion that suits your own situation.

Mr. **Richardson**. Mr. Secretary, here is a new idea that I don't know if it will work, but I wondered if you have studied it.

What if, for instance, you had a displaced worker in—take a mining industry. Instead of providing either JTPA funds or providing unemployment insurance funds or whatever, you would give that worker an incentive, for instance, to start a new small business if he proceeded with making that intent known—and I guess you can't say putting money where his mouth is, because he has no money—but making a concerted effort to offer this kind of incentive to a displaced worker to take a step like this.

Would you, for instance, support an amendment that might do something like that?

Secretary **Brock**. If the State wanted to do something like that, I would say "fantastic".

One of the things I have done is try to look at what other countries have done. Some of you went to Canada to see that system. That is an interesting and productive system.

I had a couple of visits with the English and French. They have got a process where they take the unemployment insurance that is available and let somebody get about a year's advance to start a new business.

The British have had about an 80 percent success rate with that. That is higher than our success rate without any government involvement at all.

It is phenomenal what people can do if they are given the entrepreneurial opportunity. I don't know what form the amendment might take, but I think our program will allow the States to have the flexibility to do that sort of thing if they want to try it.

Mr. **Richardson**. Mr. Secretary, I just want to make sure in the course of this legislation that Indian tribes are eligible to participate in this program. We have had instances where in the Safe Drinking Water Act, the highway bill, the safe drinking water legislation and other bills the Administration has submitted where Indian tribes are not eligible to participate.

I would hope if that isn't the case, that you would be disposed to accepting that.

Secretary **Brock**. I can't imagine they wouldn't be, but we will certainly recheck it to be sure.

Mr. **Richardson**. Having you here, Mr. Secretary, I can't resist asking an unrelated question. That is with something that many people in the southwest and especially the Hispanic community are concerned about. That is the recent ruling on sanitation workers and the farm workers, the decision—the court decision and my answer—my question is, do you—does the Department of Labor intend to abide by the court decision and set national standards as prescribed in the court decision and in the intent of the Congress?

Secretary **Brock**. We have not made a decision at this point as to whether or not there will be an appeal. We are discussing that within the Department and with the Justice Department.

However, whatever that decision is, I made a decision almost a year and a half ago that we would address the question of sanitation standards.

Our preference was for the States to do it. If they did not, I said at that time that we would do so. That commitment was made. It will be kept.

Chairman **Hawkins**. Mr. Jontz?

Mr. **Jontz**. Thank you very much, Mr. Chairman.

Mr. Secretary, I have just one brief question. It has been our experience at home in northern Indiana with JTPA programs that too often JTPA just moves people around to low paying jobs without really any training or retraining component to the program.

I can recall an example of a journeyman molder laid off from U.S.X. who got a job through JTPA as a molder at about a third of what he was making before.

What I would like to ask is, to what extent is this concern or problem addressed in the worker readjustment program that you have proposed?

Secretary **Brock**. The worker adjustment program, (a), is much more fully funded; (b), is much more comprehensive; and (c), is much more flexible in that it is designed within the State, by the State, for the State's individual needs.

Therefore, my hope would be that it would be as responsive as any program could possibly be. It is almost impossible to answer a question about a specific because each community is different.

The job availabilities are different. The fact is that despite all of the talk about low income jobs versus high income jobs and the larger being the low side, that just simply has not been the case.

Of all the people that were displaced, more than 20 percent that did get re-employed got re-employed at 20 percent or lower wages—wages that were 20 percent lower.

Nearly a third of them got re-employed at wages 20 percent higher. There are individuals like the one that you mentioned. I don't know how to protect them against that. You will always have some of those. My hope is that they will be outweighed by the overwhelming majority the other way.

The fact is, if we give people decent skills, their income will be commensurate to that. Their problem is that they don't have a skill that is required by the job that is available. That is where we have to create a match.

Mr. **Jontz**. You have some reason to believe the States will be more sensitive to that aspect than what the program has been?

Secretary **Brock**. Well, not just more sensitive. The States clearly are sensitive. I think by providing a more flexible and more comprehensive program, we can act quicker, and respond more directly to the individual situation. We can get more private sector involvement, which means we will have more jobs available.

I think the situation will be resolvable. I think we will make a lot of progress in the next three or four years.

Mr. **Jontz**. Thank you very much.

Secretary **Brock**. Thank you.

Chairman **Hawkins**. Just several minor questions, Mr. Secretary.

On the question of income support, I don't think that has been discussed at all. According to the proposal, a needs-based payment as approved by the local sub-State grantee is permissible. Could you spell out what that may mean?

I assume the local PIK would, in effect, determine what that amount should be. Is there any idea what that would amount to?

Mr. **Semerad**. We anticipate something on the order of 15 percent of the total monies a community would have available out of this pot, whatever it was. It could be for that kind of assistance. It might be child care, it might be transportation assistance, or it might be income support, an amount equivalent to their UI payment.

Bear in mind, we are trying to encourage people to try to get into training, make that decision within the first ten weeks of the unemployment spell.

We find that most people get jobs within that time. The community could say you are going to need training that will take a year and provide income support beyond the 26 weeks of UI benefits.

Chairman **Hawkins**. Let's say we are talking about individuals who will not be receiving unemployment compensation and who have no child care. We are talking about survival. What do you envision in that particular needs-based payment? Will it be 30 dollars a week, for example?

Mr. **Semerad**. That would be up to the community, based on what funds they had available out of whatever the amount was.

Chairman **Hawkins**. What would foreigners get?

Mr. **Semerad**. That would be up to the State, the community to determine, whoever was administering the program.

Chairman **Hawkins**. One final question with respect to the construction of the bill itself.

As I see it now, the proposal is a free-standing bill. The committee bill that we are now working on builds on Title III. What is your position with respect to whether or not the bill should be free-standing bill? Should it be an amendment to Title III?

Do you have any position on that?

Secretary **Brock**. Mr. Chairman, I don't know that I am sufficiently familiar with the prerogatives of the various committees to respond to that.

I think whatever route you want to choose is fine with us as long as we have a chance to see the bill enacted into law.

What I don't want is to get it caught up in something that would drag it down or would delay its passage, but however you want to proceed is fine with us.

Chairman **Hawkins**. If it is going to help you at all, I think it is better as an amendment to Title III, I will tell you that.

Secretary **Brock**. Suits me.

Chairman **Hawkins**. If it is a free-standing bill it will be a grab-bill for not only this committee but several other committees, as well.

Secretary **Brock**. Well, deliver us from grab-alls, Mr. Chairman.

Chairman **Hawkins**. Mr. Ford.

Mr. **Ford**. Mr. Chairman, Mr. Secretary, thank you.

We have talked around training and the adequacies and inadequacies of various approaches. I don't feel we have very much focus out of that.

I was attracted when I read your statement to the statement on the bottom of page two, "the Trade Employment and Productivity Act of 1987 contains four legislative initiatives developed by the Department of Labor to respond to these challenges." Does that mean that you have prepared proposed legislative language for these four initiatives?

Secretary **Brock**. I thought we had submitted the language. It will be here this afternoon.

Mr. **Semerad**. It is on the way.

Mr. **Ford**. We have talked about the new worker readjustment program, a lot about the targeting of services to welfare youth. Number three interests me. What more specifically do you have in mind when you say a proposal to refocus and decentralize the administrative structure of the public employment service? What does that mean?

Mr. **Semerad**. Mr. Ford, as I said earlier, we really think that the employment service has had a traditional role in an industrial economy in this country that has responded well to the cyclical changes; but the accelerated pace of change has left a lot of employment services around the country more involved with their own survival than how quickly they respond to the needs of the workers of the communities.

Many states have adapted very well by coordinating the education community, the job service, unemployment insurance, JTPA very effectively to serve their citizens in their states. We would like to propose that other states have more encouragement to create that. Basically states could run the same kind of employment service they run today, if that was their choice; or they may choose to create state job centers or call it something else, but basically we are talking about moving away from the United States Employment Service per se, but maintaining the integrity of those functions, particularly those Federal requirements that the Congress has imposed upon the states to serve various sections of the population, veterans, or the immigration question, stuff like that.

So I think that what we have here is to try to put greater flexibility and a greater emphasis on those creative efforts on the part of states, governors, legislators, communities to make sure that the Employment Service becomes an integral part of labor market exchange, retraining, economic development which our evidence suggests is not always the case now. There is a lot of nice rhetoric around about all the wonderful things that happen, but in reality there is a substantial lack of faith on the part of workers or employers with the potential value of the employment service.

Mr. **Ford**. Well, I am confused by that answer. For years we have heard the U.S. Employment Service as it operates through the states historically held up in a way to indicate that we were way behind the curve in the age of computers when other industrialized countries—and we used to be an industrialized country until recently—concentrate on looking at the resources of the manpower, if you will, of the whole country and then when a job opportunity presented itself, and an identified need for skills, that some other person unemployed might have, to try to find ways to match the skills with the existing job and they don't pay attention to the artificial barriers of the state line. Even in your gathering statistics, you use standard statistical metropolitan areas that sometimes bracket state borders.

What you seem to be saying here is that there is some role of coordination that you are repealing. As I understand it, you repeal the 52-year-old statutory Federal responsibility to assist in maintaining and coordinating state public employment services throughout the nation.

It seems like you are moving away from any national work bank concept to the idea that if a state wants an employment service, they can have one. If they don't have one, so be it. And we will have 50 different ones plus the District of Columbia and all the outlying territories.

Whatever value all of these national statistics and projections of labor market needs have goes out the window because a particular state might decide that what it wants to concentrate on is strengthening its agriculture or its automobile industries; but the devil with the rest of it. Those are the people with the clout in that state.

How do you replace the very imperfect, not very successful national focus on problems associated with employing people? You disperse this whole thing, and then on top of it give the states the authority, as I understand it, to have or not have an employment service. But on June 30, 1990, you say if you have one, pay for it. What is your guess on how many states will have a state employment service in 1991?

Secretary **Brock**. Congressman, I think there are two or three answers to that. One, the employment service in some states is being reshaped to the needs of a competitive society. Others just haven't paid a whole lot of attention to their employment service. Or, in some cases, they are so politically entrenched they don't want to touch them. Whatever the case, we would like for states to start paying attention to this as a tool for dealing with unemployment and getting people re-employed using the training system, unemployment insurance, whatever it takes. Right now there is almost an attitude—well, I don't want to mess with it, I haven't got time for it.

We don't pay for all the costs of employment services now. Every dime that comes into that I think comes from the states, through employer taxes——

Mr. **Ford**. You know, we are talking here, for example, the Federal Government, even during this administration—especially during this administration—has grown with its work force at the rate of about 350,000 new employees per year. Now we rotate some out with retirement, people who leave, but we hire about 350,000, laying aside the post office which in the last two years has hired 60,000, 65,000 all by themselves; and I was surprised to find a number of years ago—and nobody has ever been interested in it—that none of the Federal agencies who were hiring used the U.S. Employment Service.

Secretary **Brock**. No businesses use it either. You have to ask the question, what in the world are they doing.

Mr. **Ford**. You had an interesting comment about the dependability of the post office. Everybody still uses it even though they like to tell jokes about it.

Secretary **Brock**. Unless there is a UPS available.

Mr. **Ford**. The fact is we have a service here where Federal agencies when looking for people to fill jobs do not turn to the U.S. Employment Service and say, Find us X number of clerk-typists 3s.

Secretary **Brock**. That is right.

Mr. **Ford**. What should we do about that? There are 350,000 jobs that just get filled by—like Topsy—by various agencies. The agencies have demonstrated not just with this administration but over many years that they have little or no confidence that the employment service is a place to go to find people when they want to hire them.

Secretary **Brock**. Mr. Ford, if the employment service were providing a useful service, don't you think the Department of Labor and the post office would go to them and seek their support? If they are not providing a useful service, why are we funding them?

Mr. **Ford**. Does your agency customarily notify the public employment service and the state employment service of job opportunities in your own Department?

Secretary **Brock**. I have no idea, but probably not. Very few do.

One of the things that business people have told us is that by the time they could notify them and the job circulated for a filling, they have already filled it on their own using private employment services, which do the job.

You see, my frustration with this—and your concern is obvious and it is legitimate and it is right—my frustration is that the employment service has valid function and it is primarily, at least in this day and time, to deal with those individuals who can't get support from private hiring agencies. That is the group I am worried about. I don't think they are being any better served than anybody else right now, except in those states that have really taken a look and tried to shape up their system.

What we are saying is, take a look, put it into this context, take a look at the totality of this re-employment process we are trying to develop. Training, unemployment insurance, employment service, the whole range. Put the whole package together. You, in the state, devise a more efficient system to get people back to work.

We are not taking any money away from them. We maintain the responsibility for the Federal functions. It is just that we think the state function could better be done there.

Chairman **Hawkins**. Mr. Jeffords?

Mr. **Jeffords**. Mr. Secretary, I just want to thank you for being here this morning and being so patient and having such responsive answers to our questions. I would like to point out that we are in the middle of a recess and we often times have a problem getting a quorum. We had over two thirds of the Committee here this morning, almost throughout the morning. That is a real tribute to you. I am not sure that all of the reasons they were here were positive, but they certainly were responsive to your presence.

I would just like to ask you if there is anything else you want to say?

Secretary **Brock**. Thank you. It was a good morning. I appreciate it. We have covered a lot of territory. I thank you, Mr. Chairman, for your patience.

Chairman **Hawkins**. I certainly want to join with Mr. Jeffords, Mr. Brock, in thanking you. I think it has been a very constructive morning. I think you have given us a great proposal. We will look closely at it. I think a lot of good things are in it. I think you will be surprised that we will take most of them.

Secretary **Brock**. Bless your heart.

Chairman **Hawkins**. Thank you very much.

[Whereupon, at 12:10 p.m., the committee adjourned, subject to the call of the Chair.]

[Opening statement of Hon. Joseph M. Gaydos and proposals from the Department of Labor follow:]

OPENING REMARKS OF HON. JOSEPH M. GAYDOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

MR. CHAIRMAN, I am pleased that we are meeting here today to hear Secretary Brock's proposals regarding dislocated workers and job training. In my Congressional District outside of Pittsburgh, during the last ten years, the Homestead, National, and Duquesne steelworks have closed and at least 10,000 people have lost their jobs. My District has been hard-hit by unemployment, plant closings, and pension problems. These difficulties are certainly not unique to my area, Mr. Chairman, and I believe that they reflect serious problems with our federal employment programs.

The Department of Labor's proposed restructuring of the JTPA and the AFDC is designed to redirect JTPA training money to teen parents and other youth who receive welfare. The program would cost $800 million and yet it would only serve about 10 percent of the eligible population. Ten percent is certainly better than nothing, but it is a very small fraction of the 1.6 million kids who qualify for the program.

The Department's proposals on a new Public Employment Service, Unemployment Insurance Decentralization, and Worker Readjustment are all attempts by the Administration to shift programs from the Federal government to the States. They set up large state-level programs under the direction of each governor. So, instead of just eliminating one federal bureaucracy, we would be creating one in each of the fifty states!

Giving the states' responsibility for helping their citizens is certainly a noble aspiration, but the realities of the situation sometimes make this goal difficult. Theoretically, the states know the needs of their citizens and are more responsive to their needs. In historic practice, implementation of federal programs has varied. Also, in light of recent cutbacks in the Federal budget is is quite possible that states might get saddled with the financial burden of maintaining these programs in the future.

In a year when the President's budget drastically cuts funding for education and vocational training, I wonder about the Administration's commitment to education and retraining. If we are serious about this commitment then we must make sure that our students are well-educated and that displaced workers are properly retrained for new jobs. We must also must provide the funds and programs necessary to meet these goals.

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PROPOSAL TO ESTABLISH A NEW WORKER READJUSTMENT PROGRAM

Objectives:

- To establish an early readjustment capacity for workers and firms in each State.
- To provide comprehensive coverage to workers regardless of the cause of dislocation.
- To emphasize training and reemployment services rather than income support.
- To provide early referral from the unemployment compensation system to adjustment services as an integral part of the adjustment process.
- To foster labor, management and community partnerships with government in addressing worker dislocations.
- To provide the flexibility to target funds to the most critical dislocation problems.

Background:

The President, in his State of the Union message to the Congress, established a national goal of assuring America's competitive pre-eminence into the 21st century. A key part of the program to achieve that goal is an expanded effort to enable workers to improve their skills and increase the flexibility of the American work force, including a new program to help all workers who are displaced by adverse economic factors, such as increased imports, technological change and rural economic problems.

- The new program, the Worker Readjustment Program, draws on recommendations of several major studies of competitiveness and worker dislocation, including:
  - -- The Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation.
  - -- The President's Commission on Industrial Competitiveness.
- The new worker readjustment program would replace two existing programs--Trade Adjustment Assistance (TAA) and Title III of the Job Training Partnership Act (JTPA)--which currently serve dislocated workers but are limited in scope and have major shortcomings.

Description:

- Eligibility: Eligibility would be the same as under Title III of JTPA, and include workers displaced by plant closings, mass layoffs, and other experienced workers suffering permanent job loss, regardless of the cause of dislocation. It also would include unemployed farmers, and other self-employed individuals.

- Services: Services would be provided in two broad categories: basic readjustment services, including assessment, counseling, and job search assistance; and retraining services, including classroom and on-the-job training, and relocation assistance. In addition, a rapid response capability to deliver assistance upon notice of plant closings or mass layoffs would be established. Training and retraining would be available through traditional arrangements such as classroom and on-the-job training, and through vouchers. In addition, workers could receive certificates of continuing eligibility for training for up to a two-year period.

- Governor/State Role: Governors would have Statewide planning and oversight responsibility; would designate substate areas; and allocate funds for basic readjustment services within the State. States would establish a rapid response capability, which may include incentives to encourage employers to give early notification of dislocations. States also would establish linkages between worker adjustment programs and the unemployment insurance system and other State programs.

- Private Sector Role: The State Council under JTPA would be reconstituted with a private sector chairperson and a majority of the membership drawn from private business and industry. The Council would assume oversight responsibility for public employment services and be renamed the State Training and Employment Council. Local Private Industry Councils would provide policy guidance, and exercise oversight of readjustment services in the substate area.

- Delivery System: Substate areas designated by the Governor would consist of JTPA Service Delivery Areas (SDAs) and combinations of SDAs (those SDAs with 500,000 or greater population would be automatically designated). Substate grantees would be designated for each substate area pursuant to an agreement between the Governor, the local elected official and the Private Industry Council (PIC). Substate grantees may include PICs, SDA grant recipients, private nonprofit organizations, State agencies, and other public agencies. These grantees will establish the capability to provide basic readjustment services and arrange for the delivery of training.

- The Federal Role: The Department of Labor would provide overall administration and oversight; allocate funds; provide technical assistance; and provide adjustment assistance in cases of major industry-wide or multi-state dislocations and natural disasters. The Secretary of Labor would establish a Federal Worker Readjustment Advisory Council to review information on worker dislocation and the performance of the new program, and to make recommendations to the Secretary.

- Funding/Allocations: $980 million will be requested for the worker readjustment program for FY 1988. Thirty percent of total funds will be distributed by a basic allotment to each

State for readjustment services and rapid response capabilities with further allocation to substate areas. Fifty percent of the total will be placed in a Federal Supplemental Funds Account for each State to draw on for retraining services as needed, up to a pre-determined State target level. Twenty percent of the total will be available for the National Reserve Program; these funds may be used for mass layoffs, industry-wide and multi-state projects and other national activities.

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JTPA AFDC YOUTH PROPOSAL

Objectives:

- To better target JTPA services on the welfare youth population, particularly teen parents, in order to break the cycle of welfare dependency.
- To allow JTPA Service Delivery Areas the flexibility, under Title II-B, the Summer Youth Employment and Training Program, to develop an enriched program of services to AFDC youth, to run a traditional summer youth program, or to run both.
- To better direct JTPA funds to disadvantaged and AFDC youth by revising the Title II-B allocation formula.
- To better link DOL and HHS programs serving AFDC youth.

Background:

- AFDC youth, both young parents and the children of AFDC-dependent parents, experience multiple barriers to employment. A high proportion of them are from minority groups (65.6 percent in March 1984), and most are school dropouts. Forty-two percent of young, unmarried welfare mothers with children under 3 will be on AFDC for 9 years or more.
- Furthermore, studies have consistently found that children from single-parent families complete fewer years of school and get lower status jobs than other children. These children are more likely to become single parents themselves, thus perpetuating the cycle of welfare dependency. In addition, youths from families receiving AFDC experience more difficulty in the labor market than youth from other low income families.
- The JTPA AFDC youth proposal was developed to better focus JTPA services and resources on one of the most at-risk populations, young parents on welfare and youth in welfare families.

Description:

- Option for a New Program Aimed at AFDC Youth: JTPA Service Delivery Areas would have three options under Title II-B: to develop an enriched year-round component targeted to AFDC youth, to carry out the traditional summer youth employment program, or to carry out some combination of the two programs.

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- AFDC Youth Target Group: The new program is targeted on young parents on AFDC and children of AFDC parents, both of which experience multiple barriers to employment. The program would primarily serve 16-21 year olds, although 14-15 year olds also would be served. The program could serve both in-school and out-of-school youth.

- Enriched Program Design: AFDC youth participants' needs would be assessed and individual service plans established which would include (when needed) mandatory classes in basic and remedial education; life-skills counseling; development of pre-employment and work maturity skills; occupational training and employment experience; and support services.

- Traditional Summer Program: Service Delivery Areas may choose to fund the traditional Summer Youth Employment Program, which remains basically unchanged. SDAs would provide some combination of work experience, remedial education/literacy training, and counseling services.

- Revised Allocation Formula: In order to better direct funds to the population eligible for the AFDC youth and summer employment programs, the Title II-B allocation formula would be changed and would be based 50 percent on the current share of the number of families receiving AFDC and 50 percent on the share of economically disadvantaged.

- Funding: Funding requested for the new program for FY 1988 is $800 million. It is anticipated that the AFDC youth program would serve over 160,000 youth each year, or approximately 10 percent of the eligible population.

- Coordination with HHS: The AFDC youth initiative is being developed in close coordination with the HHS Greater Opportunities Through Work (GROW) initiative. GROW is an expanded initiative of coordinated employment, training and education opportunities for members of AFDC families. The GROW initiative emphasizes continued schooling for teens without a high school diploma, and participation by other employable AFDC recipients in a range of educational, training and employment related activities, including JTPA programs.

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DECENTRALIZATION PROPOSAL FOR THE UNEMPLOYMENT INSURANCE SYSTEM

Objectives:

- To increase State responsibility and discretionary authority over the financing and actual administration of their individual unemployment insurance programs.
- To increase State administrative flexibility in responding to changing State economic circumstances.
- To reduce Federal responsibilities and authority in the determination of State program administration methods and costs.
- To maintain basic UI program objectives--to provide short-term partial wage replacement for workers who lose their jobs and to collect employer taxes to finance the system.

Background:

- Over the past year, the Department of Labor has conducted extensive discussions on the need for improving the procedures for administering the Unemployment Insurance (UI) System.
- Public meetings on the need for reform were held in January of 1986.
- A Federal Register notice soliciting comments on long-term changes was issued in July of 1986 and produced 80 comments which were considered in developing the proposals.
- Further comments are being solicited through publication of the decentralization proposal in the Federal Register in February.
- Although the discussions did not produce agreement on the specific changes that were needed, there was a general consensus on the need for change and for increased State flexibility in administering the UI system.

Description:

- Administrative Resource Levels and Controls: Gives States the responsibility for assessing and collecting funds necessary for the administration of their unemployment insurance programs. States would levy and collect the appropriate tax as a replacement (via offset tax credit) for the current Federal FUTA tax (except for penalties).

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- o Federally Mandated Programs and Activities: A portion of the State-collected revenues would be passed through to the Federal government to fund federally mandated activities. New programs enacted would have to provide administrative resources.

- o Conformity and Compliance: The existing conformity and compliance requirements would be retained and expanded to include a requirement that States maintain current levels of effort of UI and labor market information operations. The existing penalty for conformity violations would be applied to both conformity and compliance violations. IRS would collect such penalties.

- o Trust Fund Structure and Authority: Federal management of the UI trust fund assets, including both State-collected funds for benefits and those for UI administration, would continue. There would be no adverse effect on the existing Federal deficit and no impairment of the existing capacity for supplying Federal loans to States for benefits when UI claims levels rise.

- o Legislative Changes: The Social Security Act (SSA) and the Federal Unemployment Tax Act (FUTA) would be amended. This would necessitate corresponding changes in State unemployment laws, as well as any additional State statutes deemed necessary to implement increased State role in financing and administering the program.

- o State Administration of UI:

  - -- States would decide what administrative resources are needed to properly and efficiently administer their State UI laws.

  - -- The Department of Labor would allocate administrative funds only for federally mandated programs, not for State administration of regular or basic UI programs.

  - -- Federal intervention in State UI administrative matters would be reduced.

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PROPOSAL TO REFOCUS THE PUBLIC EMPLOYMENT SERVICE

Objectives:

- To refocus public employment services to address the emerging national, State, and local labor market/labor force needs, particularly the need for improved assessment, job search assistance, and labor market information.
- To increase State responsibility and discretionary authority for the planning, management, and delivery of public employment services.
- To increase the involvement of the private sector at the State and local level for the delivery of employment services within each State.
- To decentralize the financing of public employment services to the States by 1990, providing autonomy to the States for determining the funds necessary to support the services planned in each State.

Background:

- To assess the ability of the public employment service to address current and future labor market needs, in September 1986 the Department of Labor announced in the Federal Register, key questions on the purpose, design and focus of the Employment Service and invited public comment, either written or oral, at a series of four public meetings held around the country.
- Based on comments from over 700 respondents (representing a wide range of business, labor, government, and other interested parties) as well as research, studies and data, the Department developed its proposal to refocus the Employment Service to better address these labor market needs.

Description:

- Refocusing of Public Employment Services: Under the new program, States would have increased responsibility for providing public employment services. After 1990, States would assume responsibility for financing their programs. States would have discretion to determine the best mix of services to meet their needs but particular attention is to be given to the need for:

  1. Assessment and testing activities for identifying worker strengths and weaknesses;
  2. Labor market information to workers and employers;
  3. Vocational counseling and job search assistance for workers capable of finding their own jobs; and
  4. Referral to programs operated under JTPA, educational institutions, private employment agencies, and social service agencies for workers who need further assistance in finding or preparing for a job, and referral of workers for placement in specific positions.

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- State Responsibilities: Through a new Secretary-Governor agreement, the responsibilities of the U.S. Employment Service would be undertaken by the Governors. States would have to meet broad Federal requirements, and provide sufficient resources to deliver services on a Statewide basis. States would also continue to carry out special responsibilities such as providing priority services to veterans and collecting labor market information.

- Private Sector Role: To enhance private sector involvement with respect to the public employment service, linkages have been established with the Private Industry Council (PIC) and the State Job Training Coordinating Council. The PIC role would be enhanced to include reviewing and evaluating the public employment service activities within their Service Delivery Area and for the purposes of providing policy guidance with respect to local labor market conditions and needs. The role of the State Job Training Coordinating Council, renamed the State Training and Employment Council, would be enhanced by designating a private sector member as the chair, requiring that a majority of its members be from the private sector, and expanding its responsibility to include reviewing, monitoring and evaluating the activities of the State in providing public employment services. Because of the expanded role of the State and local councils, Governors and local elected officials will be encouraged to give consideration to appointing Job Service employer committee members to these Councils.

- Federal Responsibilities: The Secretary of Labor would continue to have responsibility for the Interstate Job Bank, Occupational Testing and Analysis, programs serving veterans such as the Disabled Veterans Outreach Program and Local Veterans Employment Representative Program, alien certification and housing inspections and national labor statistics programs administered by the Bureau of Labor Statistics. These would continue to be funded separately under agreements with the States. Also, the Secretary of Labor would be authorized to provide policy guidance to the States with respect to national priorities.

- Funding: Through Program Year 1989, the current FUTA funding mechanism, as well as the current Wagner-Peyser funding formula, would be used to finance the new proposal. Commencing in 1990 and consistent with the proposed decentralization of the Unemployment Insurance Program to the States, States would assume responsibility for funding public employment services through a State levied and collected FUTA replacement tax or other resources such as State general revenues and user-fees. At that time, each State would be required to provide public employment services throughout the State as a condition for certification under the Federal Unemployment Tax Act (FUTA). This condition, like other conditions in FUTA, would have to be satisfied if employers in the State were to be eligible for a credit against their Federal unemployment tax.

EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS

States' Role in Economic Competitiveness Through Employment and Training

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WEDNESDAY, FEBRUARY 25, 1987

House of Representatives,
Committee on Education and Labor,
Washington, DC.

The committee met, pursuant to notice, at 10:34 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins, presiding.

Members present: Representatives Hawkins, Kildee, Williams, Martinez, Owens, Sawyer, Solarz, Richardson, Visclosky, Goodling, Gunderson, and Grandy.

Staff present: Gene Sofer, budget analyst; Carole Stringer, legislative analyst, and Beth Buehlmann, education staff director, minority.

Chairman **Hawkins**. The Committee on Education and Labor will come to order. We are delighted to have with us a special guest representing the National Governors' Association. He is chairman of its Subcommittee on Employment and Training. For the purpose of introducing our guest, the Chair recognizes Mr. Sawyer of Ohio. Mr. Sawyer.

Mr. **Sawyer**. Thank you, Mr. Chairman. It is a very special privilege for me to welcome to the Congress the Chief Executive of my state, a good friend, whose leadership within our state and among other states in the arena that we find ourselves today has been landmark.

One of our previous witnesses said that companies cannot succeed without the basic tools of both an educated work force and a technological base in order to remain viable and competitive.

With that statement, Governor Celeste comes here a leader among states certainly in the industrial Midwest, as being one of the most productive states on the face of the earth.

Ohio, like many states have led for many years in productivity. And far from being a problem, with the Governor's record, he has provided a technological base and a real sound basis in education. He has given us the opportunity to bring those both together for the competitive management in our state that has served as an example for all the others.

And it is in that regard that I am pleased to welcome the Governor here today. Thank you, Mr. Chairman.

Chairman HAWKINS. Thank you, Mr. Sawyer. Mr. Goodling.

Mr. GOODLING. I just want to welcome the Governor. Our ranking member, Mr. Jeffords, I think will be back shortly. The Secretary of Agriculture is testifying before the Agriculture Committee at the present time. And we are all doing triple and quadruple duty.

But I do welcome you. We have discovered in Washington that we do not have all of the answers. And those of you who are out on the firing lines in the states can help us with a very, very big problem in a very, very competitive world. So we welcome you.

Chairman HAWKINS. Governor, you have been welcomed by both sides. I will not add to that, except to say that it gives me great pleasure to welcome you back. You have appeared before the committee before and have provided invaluable testimony. We value what you will say to us this morning. You may proceed.

STATEMENT OF HON. RICHARD F. CELESTE, GOVERNOR, STATE OF OHIO

Governor CELESTE. Thank you very much, Mr. Chairman. And to you and your colleagues, I want to express not only my appreciation for the hospitality that you have extended in the past and on this occasion, but on behalf of all of us as Governors we really appreciate the opportunity to share with you some of our experience, and interest and concern as we look at the role of the states in this arena of economic competitiveness.

I am testifying on behalf of the National Governors' Association where I serve as Chairman of the Subcommittee on Employment and Training. I have prepared testimony for the record. What I would like to do is to discuss portions of that testimony if I may on behalf of the NGA.

Also I would like to make a few comments as Governor of Ohio, and I will try to distinguish where I depart from what is the NGA policy. But the NGA under the chairmanship of Governor Bill Clinton of Arkansas has been devoting a great deal of time to this topic of competitiveness.

The title of our winter meeting which ended yesterday was Making America Work, Productive People, Productive Policies. The discussion of economic competitiveness sweeping the country today I think finds both political parties struggling to tackle this important issue.

And I think that increasingly it is worthwhile to look for leadership in this area towards state governments. And it is interesting that in virtually every case that there is an emerging bipartisan consensus about what we are doing at the state level.

For several years now, state governments have served as breeding grounds for innovations on the issues around this notion of competitiveness. And I suppose that is one other manifestation of the genius of our federal system that our state governments should be laboratories for developing new ways to compete globally.

Central to the important issue of competitiveness and the need to develop in this country the capacity to respond rapidly to the continually changing world marketplace is the human dimension, which really millions of American workers are experiencing dramatic changes in their lives as a result of these international challenges, changes that are often disorienting, profound and usually unanticipated no matter how hard we try.

When I became Governor of Ohio in 1982, Ohio had the second highest unemployment rate in the country. We knew that we must move decisively on a number of fronts to regain our competitive edge both in manufacturing, the backbone of our economy, and to diversify our economy.

A critical part of that effort in Ohio was the establishment of something that we call the Thomas Edison program. The Edison program brings together our best scientific minds and our more farsighted corporations to take the lead in areas like polymers, robotics, advanced manufacturing technology, welding and biotechnology.

New relationships have been established between Ohio's universities and businesses, between inventors and those who can give business advice, between the public and private sectors, to foster new product and process innovations and to get them to the market quickly and cost effectively.

The state has invested over $30 million a year in this effort. We have generated probably twice that amount in the private sector investment each step along the way.

But a competitive economy increasingly requires an investment in our human resource, a skilled, trained, flexible work force. One of the important aspects of the Edison program as a footnote is that we require training as a component of each of those new technologies.

The American work now operates in an environment where change is going on. Those entering the work force are told to change occupations four to six times during their productive years. And to add to this dilemma, by the year 2000 90 percent of all new jobs will require postsecondary training.

The worker adjustment policy which was approved by the Governors at our plenary yesterday responds to this reality, to look at our human resources to be competitive, with six principles in mind.

The first is that Governors should have the discretionary authority to develop programs to meet the needs of their states and to implement and manage according to their best judgment, to recognize the distinctive differences or characteristics in each state.

The flexibility that the Governors were given to determine how to implement the job training partnership program in Ohio as an example allowed me to place the new program in the Ohio Bureau of Employment Services, where it could be integrated with the state labor exchange system, coordinated with the Unemployment Compensation program and other employment and training programs operated by that agency. Other states chose other approaches.

The flexibility allowed me to challenge and direct the state job training council and local private industry councils to play major roles as state and local coordinators of education, employment and training services and to take the lead in guiding change.

We have used funds available under the JTPA dislocated worker program in combination with state training dollars to help companies reopen and to attract new industry. In 1986, we saw Mercury

Stainless, American Steel and Wire, North Star Steel and Ironton Iron resume operations. Incidentally, Ironton Iron reopened on an employee stock ownership plan which provided over 400 jobs to laid off workers.

Ohio has also funded a series of entrepreneurial training pilot projects which give dislocated workers training in the skills and techniques needed to start and operate successful small businesses.

A variety of agencies are operating these programs, from a community action organization in one place to a major university. Not enough time has passed to speak precisely of outcomes, but certainly individual success stories are extremely encouraging.

Second, Governors should have the latitude to choose those state and local delivery systems judged to be the most effective, and to provide a variety of services, educational services, training opportunities, job service assistance, support services and income assistance.

We must have the authority to develop broad, comprehensive and substantive programs that lead not only to long-term reemployment for our workers, but to economic mobility.

In Ohio, we have been able to encourage the creation of comprehensive industry-wide training projects in response to massive dislocation in some of our key industries.

A program to retrain workers from Southeastern Ohio's hard hit coal region which includes sixteen counties is a program operated by a consortium of community based organizations, private industry councils, and the United Mine Workers Union.

For the building and construction trades, the problem of dislocated journeymen presented a unique challenge, since ordinarily dislocated workers are considered to be unemployed industrial workers.

A state wide program was established operated by the building and construction trades in Ohio, in fact their foundation, which retrains electricians, ironworkers, sheetmetal workers, cement masons, operating engineers, bricklayers, carpenters and pipefitters in high skill areas of their occupations.

For example, sheetmetal workers are being trained in heliarc welding, cement masons in the use of new compounds, and electrical workers in automated systems with programmable controls.

The success of these programs is closely related to the growth of our non-traditional job training programs for women. The program operator, Prep, Inc., has significant experience in giving women the sort of training that will help them enter apprenticeship programs and succeed in jobs traditionally held by male workers.

The program operated at three different sites has the full support and cooperation of the Ohio State Building and Construction Trades Council as well as employers in the field.

As more journeymen obtain regular employment and more joint labor management funds become available for new apprenticeship slots, the non-traditional program helps to ensure that a fair proportion of these new apprentices are women and minorities.

As Governor of Ohio, I would like to point out to you that the initiatives put forth by this Administration under the flag of competitiveness or worker adjustment are being tested and implemented now and today in Ohio and in states like it.

The third goal of the policy adopted yesterday is that the definition of dislocated workers should be broad enough to include all workers negatively impacted by change. All dislocated workers, farmers and others who are self-employed, Unemployment Insurance recipients as well as those who have exhausted their benefits, potentially dislocated workers, and the structurally unemployed should have equal access to service.

It is important that farmers be targeted in any worker adjustment policy. Even in Ohio, we have a serious concern about dislocation in our rural communities. And we are not talking about a decline in farming, but really a transformation of the entire economic and social system of rural America.

The fourth guiding principle in the worker adjustment policy is that labor and management cooperation should be strengthened and supported, since the most effective intervention takes place early on and in a cooperative environment where information is shared among labor, and management and government.

Early in my first term, I established the community economic assistance team, a coordinated response to the threat of job loss, which joins the resources of the Ohio Department of Development and the Ohio Bureau of Employment Services.

In 1986, the Governor's Tripartite Advisory Labor/Management Committee was established. These efforts have been effective because of just such a cooperative environment.

This is one reason why Ohio is willing to participate in the U.S./Canada plant closing demonstration project which is cosponsored by the National Governors' Association and the Department of Labor.

The basic premise of the Canadian industrial adjustment service and Ohio's program is the same, job loss prevention and economic adjustment. And I am encouraged that various models based on this premise are being explored by Congress.

I would comment here, however, that the $20,000 coming to Ohio are a participant in the U.S./Canada program is relatively small compared to the $2 million which we have invested in state resources in our labor/management cooperation projects. This is an area that bears substantial investment in the future.

The next premise or policy of the Governors is that programs to help prevent job loss should not only be allowed but encouraged. It is critical that any worker adjustment program foster a state and federal partnership to prevent job loss.

Ohio's extensive network of community colleges has been called upon to play a vital role in worker training to prevent dislocation. Utilizing the Ohio industrial training program, those are state dollars in our Department of Development, outstanding college and business partnerships have been formed to work on prevention strategies.

For example, Sinclair Community College in Dayton working with the Dayton Tool and Machine Association, a trade group, developed a needs assessment that enabled the college to provide customized training to the 145 tool and die companies in the Dayton area helping them to remain competitive.

Marion Technical College, North Central Ohio, established a center for human resource development which has enabled them to provide Whirlpool Corporation employing over 10,000 Ohioans, 2,400 in the Marion area alone, with $2 million in training that will help Whirlpool remain one of the few viable American producers in microwave oven appliances.

Finally, the federal government must assist states and businesses by collecting and disseminating information on local labor market trends and industrial growth and decline that will not only help states anticipate and manage change, but that will provide the data to target funds to more accurately reflect total dislocation.

As we grapple with ways to redesign a program to assist workers to adjust into jobs, we cannot lose sight of how this process must work with our Employment Service system and Unemployment Compensation system.

Let me take a step back. I want to underscore that point about data, because I went past it perhaps too quickly. Availability of timely and accurate labor market statistics of the local labor markets is absolutely vital in any practical program of worker adjustment, so that we design training that is relevant and target our funds to high priority areas.

Let me turn for a moment to the need to work with our Employment Service system and the Unemployment Compensation system. The Administration has proposed the devolution, or decentralization of turnback, or whatever jargon you want to use, of the authority for administering and financing of these systems.

The NGA will be analyzing with the involvement of all of the states these proposals and the impacts that they might have on our state employment policies and strategies. We do not have a NGA policy at this point.

With regard to the Employment Service system, let me point to a brief exchange that I had with Labor Secretary Brock at the opening session of our NGA meeting on Sunday.

I took issue with his statement that the Employment Service is not working well nationwide. Employers across Ohio as well as across the country are working closely with Employment Service staff to continually improve that service. In Ohio, we have made major improvements with the help of our employers.

I think that last year we placed some 100,000 workers on jobs through the Employment Service. And many, many companies hire exclusively through our Employment Service offices.

It would seem to me that the evaluation of the Employment Service and the redirection of Employment Service dollars should come from those employers themselves who pay through their taxes to use these services rather than from someone in the Department of Labor who is looking at it without that firsthand input.

Speaking for Ohio, I would relish the opportunity to direct these dollars so that they most effectively assist Ohio's job strategies. I think that it is something that we need to examine closely.

Also the Governors are aware that there are varying proposals around giving the states authority for the Unemployment Insurance system. The discussion ranges from state control of dollars to the equity among states. Again NGA will be looking into these proposals.

In my opinion, and here I want to be very clear that I am speaking only for Ohio, only as Governor of the State of Ohio, the increasing demands for adjustment strongly suggest that some traditional practices around the Unemployment Insurance system need to be reassessed.

Most importantly, the system needs to be fair and equitable. For example, Ohio over the past ten years has received in UI administrative dollars only seventy cents for every dollar sent to Washington. We have exported about $20 million a year. At the same time, we are paying substantial interest on the benefit funds that we had to borrow so that we could meet our unemployment obligations during the very high unemployment in 1981, 1982 and 1983. And at the same time, the Department of Labor recently ruled that our employers must pay an increase in taxes of $75 million.

Before I close, I would like to comment on the demise of the WIN program, a program that has worked in Ohio, and in my judgment has worked elsewhere. Last year, the Ohio WIN program placed 22,000 welfare recipients in jobs reducing state ADC payments by $49.5 million, and reducing food stamp and medical costs by some $65 million. The total program cost for WIN was $14.3 million. Each dollar spent generated $8 in federal and state cost savings.

But numbers tell only part of the story. The human dimension is the most compelling factor for all of us public officials. And if you were to talk to those people who now work and are supporting their families, you will hear their enthusiastic support for the continuation of this program.

Competitiveness in the final analysis is a function of people, and we must invest in our people as individuals in education, in training, in appropriate services, so we as a nation and as a people will not only survive but flourish economically.

Only through a well-trained and well educated work force can Ohioans and all Americans compete in the global marketplace. And today that education is not measured from kindergarten through twelfth grade or four years of college. Often that education has to start before kindergarten. And that education and that training will continue throughout the lifetime of work.

I thank you Mr. Chairman and members of the committee for allowing me to share this testimony with you.

[Prepared statement of Governor Richard Celeste follows:]

Prepared Statement of Hon. Richard Celeste, Governor of Ohio

Thank you, Mr. Chairman, for the opportunity to appear before you today to discuss the role of the states in economic competitiveness. I am testifying on behalf of the National Governors' Association where I serve as the Chairman of the Subcommittee on Employment and Training. NGA, under the chairmanship of Governor Bill Clinton of Arkansas, has been devoting a great deal of time to this very topic. The title of our winter meeting that ended yesterday was "Making America Work: Productive People, Productive Policies." Governor Clinton's agenda includes the work of five independent Task Forces that are preparing strategic plans and guidelines for state action in the areas of: Adult Literacy, School Dropouts, Teenage Pregnancy, Alcohol and Drug Abuse, and Jobs, Growth and Economic Competitiveness. A final report of these Task Forces will be available for the Governors in July. The report will focus on state responses to these problems in an effort to assist Governors with their duties. In addition to the Task Forces, NGA has also undertaken a major effort on welfare reform. The policy statement adopted by the Governors yesterday, includes a major jobs component as a way to promote self-sufficiency for welfare recipients.

Through study of these various problems, the Governors have become acutely aware of the inter-relatedness of all these issues. Time and time again, the solutions appear to be linked to this country's ability to create meaningful employment opportunities for those who want and need jobs.

In terms of a long-term strategy the Governors have examined areas where states can make a major contribution. The most important area is education. The states have been leaders in education reform and will continue this commitment. We must recognize that an important goal of education is to teach students basic skills which should ease their transition from one job to another. A second area of state responsibility is job training. We must train a more flexible workforce that can adapt to new working environments. A third area is labor-management cooperation. One important variable in the productivity of individual plants in different locations is the relationship between labor and management. States can be facilitators in creating new and different structures between labor and management. A fourth area for active state participation is technology dissemination. State universities are a wealth of experimentation and technological advancement. State government can play an important role in getting the university research into the hands of businesses that can use it.

States will need the assistance of their federal partners in many of these areas. The federal government must at least maintain its level of financial commitment if states are expected to provide positive results. Also, states need flexibility to tailor programs to individual states.

Let me share with you a special Ohio experience in the area of technology dissemination. Early in my tenure, Ohio established our Thomas Edison Program. The Edison Program brings together our best scientific minds and our most farsighted corporations to take the lead in polymers, robotics, advanced technology, welding and biotechnology. New partnerships have been established between Ohio's universities and businesses, between inventors and those who can give business advice, between the public and private sectors, to foster new product and process innovations and get them to market quickly and cost-effectively.

While a great deal of our work at NGA has centered around long-term investment strategies that will help facilitate a competitive and growing economy, the Governors also focused on the need to anticipate and manage changes in the economy particularly in the area of human resources.

The national economy and the American worker now operate in an environment where change is the norm. Some 10.8 million workers have permanently lost their jobs in the last five years. In 1975-82, 240 counties -- 201 of which were in non-metro areas -- lost 10 percent of their manufacturing jobs to foreign competition. Those statistics do not appear to have improved since 1982. Those entering the workforce today can expect to change occupations four to six times during their productive years. Possibly, more important is the realization that by 1990, three of four jobs will require some kind of post-secondary training. While these statistics may be surprising to us, they are reality for displaced workers.

It is time for this country to assess our progress and face up to the consequences that have come with change. I certainly do not advocate that we try to stop change. In fact, I believe that change and growth and progress will lead us into a bright and prosperous 21st century.

The United States is now in a global economic struggle and the competition is fierce. Signs of the new challenges to American ingenuity and productivity are all around us. Technology is advancing at such a rate that we literally face the problems of obsolescence on a daily basis.

The discussion of economic competitiveness sweeping the country today finds both political parties struggling to tackle this important issue. Either party looking for leadership in this area should first turn to state governments.

Central to the important issue of competitiveness is the need to develop in this country the capacity to respond rapidly to the continually changing world market place is the human dimension. Literally millions of American workers are experiencing dramatic changes in their lives as a result of these international challenges; changes that are disorienting, profound and often unanticipated.

As Governors, we are faced with the consequences of change as high unemployment rates continue, even though the recession has passed. We live with it every time a plant closing is announced. We understand its implications when dwindling state revenues do not allow us to make needed reforms in education, social program, and other areas of state interest. It is for these reasons, the Governors took a serious approach to development of the worker adjustment policy.

The Governors believe that the following principles should guide the development of a national worker adjustment strategy.

- Governors should have discretionary authority to develop programs to meet the needs of their states.
- The definition of dislocated worker should be broad enough to include dislocated workers, farmers, unemployed insurance recipients and exhautees, potentially dislocated workers and other structurally unemployed individuals.
- Strong labor management cooperation should be supported, since early intervention strategies operate most effectively in a cooperative environment where information is shared among labor management and government.
- Services available should include: educational services, training alternatives, job search assistance, support services, and income assistance.

- No presumptive delivery system should be mandated.
- Programs to help prevent job loss should be allowed.
- Funds should be targeted to more accurately reflect dislocation.

For several years now, state governments have served as breeding grounds for innovations on the issue of competitiveness. Fifty state governments have become laboratories for developing new ways to compete globally. Governors should have the same flexibility in developing effective worker adjustment policies. Dislocation occurs for various reasons in different areas. Governors must have the authority to design programs that meet the needs of the citizens at their states. This issue of Governors' discretion is particularly critical to farm state Governors who experience dislocations that have nothing to do with industrial plant closings.

In my experience, the section of the worker adjustment policy that encourages early intervention, a cooperative environment, and a sharing of information among labor, management, and government is absolutely correct.

Early in my first term, I established the Community Economic Assistance Team, a coordinated response to the threat of job loss which joins the resources of the Ohio Department of Development and the Ohio Bureau of Employment Services. Our Community Economic Assistance Team has been most effective because it is constructed on these principles.

This is one reason why Ohio is pleased to participate in the US/Canada Plant Closing Demonstration Project, cosponsored by NGA and the Department of Labor. The basis premise of the Canadian Industrial Adjustment Service and Ohio's program is the same: job loss prevention and economic adjustment. And I am encouraged that various models based on this premise are being explored by Congress.

As we discuss the issue of worker adjustment, we cannot help but engage in examination of the unemployment compensation system and the employment services system. The Administration has proposed the decentralization of authority for administering and financing these systems.

Clearly, Governors and states should have a more direct and active role in both these policies. NGA will be analyzing, with active involvement of the Governors' offices, these proposals and their impact on the effectiveness and viability of the provision of these important services.

However, we must ensure that the basic philosophy of a public labor exchange system nationwide, allowing equal access for employers as well as employees, is maintained.

Also, the Governors are aware that there are varying proposals around unemployment insurance decentralization and that Governors and states are not in agreement. The discussion ranges from state control of dollars to the equity among states.

I want to thank you, Mr. Chairman, for allowing me to speak with you and the members of your committee. As Governors, we need and value an effective state and federal partnership. We need to continue to work together to "help America work."

I would be happy to answer any questions, Mr. Chairman, that you or the members of your committee may have.

Chairman HAWKINS. Thank you, Governor, for your very excellent presentation. Some of your remarks obviously sharpen the focus on the issues before this committee. Could you further clarify some of the points which you made? Are they typical of all states? Certainly there are some who are in very sharp disagreement with some of your proposals. For example, you indicated on page 7 that the Employment Service is working well in Ohio.

Is this the exception? Or is the Secretary of Labor correct when he advocates that this service be phased out?

Governor CELESTE. Mr. Chairman, the reason I asked Secretary Brock the question is because I wanted to get a clearer idea of what they had in mind in terms of the phaseouts.

From an Ohio perspective, again it needs repeating, from an Ohio perspective, in my opinion, I would propose a phase out of our labor exchange system. And I point out that one of the challenges in competitiveness is to look at mobility well beyond the local market place.

To give you an example, our employment services embarking on a cooperative effort with five other states, the five Great Lake states, on a shared system for moving resumes of individuals among all six states. I can't conceive how that would be possible without the base of a national labor exchange system which has been provided by the employment service.

As to quality, I think that judgment comes best from the employers who are using it. And I would submit that in Ohio, the vast majority of employers would say today they received quality service. And many of them really look exclusively for references for new hires to the employment service.

Chairman HAWKINS. I understand that the INGA is conducting further studies on this. Therefore you are pragmatically not stating what further action should be taken as to change to the system until those studies are completed.

Governor CELESTE. I would also encourage the Congress to let the governors have a chance to study and issue and arrive at an informed judgment. We certainly intend to move forward as expeditiously as we can on that matter, Mr. Chairman.

Chairman HAWKINS. You also indicated that WIN has been operating successfully in Ohio. Does this mean that you would retain the program? Or would be in favor of additional evaluation of the WIN program at this time? Or would you rather see what's happening in the various states?

Governor CELESTE. Mr. Chairman, I would certainly, from Ohio's standpoint, I would very much like to see the WIN program continued and have indicated that to a large congressional delegation.

In many respects, we have also as governors advocated a comprehensive welfare reform proposal and many aspects of that proposal in terms of support of education and training, child care, extended health benefits as the person moves to the private sector learn from those successful experiences with WIN. So I think that there is a feeling that if we do it right, we can help people make the transition from welfare to work. And certainly in Ohio, that has been the case with WIN.

Chairman HAWKINS. One further clarification on the definition of the dislocation of workers. You have indicated various groups that should be included in that definition. If I understand Secretary Brock, he would include much more than you.

His definition includes the self-employed, moving in the direction of including more small businessmen. In practical terms any person unemployed for whatever reason could be included under the administration's proposal. Does this meet with your approval? We have received so many definitions. Trying to broaden the definition with the amount of money that is going to be available could spread our efforts too thin. At the same time we're developing the so-called welfare reform which takes us in a completely different direction.

Would you say that the employer, regardless of size and employees who lose their jobs because of economic change be included?

Governor **Celeste**. Mr. Chairman, this is a very difficult place to draw a line. I respect the challenge that confronts the committee. The governor's policy said that it should be broad enough to include all workers negatively impacted by change.

I think we certainly had in mind, for example, farm families confronted with change just as drastically as steelworkers in Youngstown, or machine tool workers in Cleveland or Toledo.

The problem I think with small businesses may be that a number of those small businesses will depend on a large plant, large enterprise in a community that has been impacted by imports, by changing technology in the global marketplace. And I guess we would look to the wisdom of the committee for trying to determine where that boundary should be drawn.

But our encouragement would be to take a reasonably broad view of that so that we can provide for flexibility in the hands of those state agencies that make the program operate.

Chairman **Hawkins**. One final question. You referred to the Canadian system. I understand that you have a pilot program. Several of us were in Canada last week and looked at that system. They have very strong labor management committees. I am somewhat reluctant to say that labor management committees in this country have operated as well.

If we could develop very strong labor management cooperation it seems to me that it would assist with problems connected with notification, condition of the plant, health care ideas and so forth.

Are you optimistic that the Canadian model will develop in this country?

Governor **Celeste**. Mr. Chairman, I think we have no choice in the matter. And I know in the State of Ohio, we have a very strong tradition of organized labor, and we have some very outspoken leaders in management, a number of Fortune 500 companies. I think in the past they may have been very quick to do battle with each other. And while there is still plenty of room for disagreement across the bargaining table, I think there has been a dramatic increased recognition of the need to identify areas where cooperation is in fact possible, not by ignoring tough problems, but by trying to recognize where there is a tough problem, both can deal with, and I can cite some examples.

In several communities in the area of health care cost containment, both labor representatives and management representatives realize that they were paying a tremendous price for not getting health care costs under control. And by focusing on that program, they began a dialogue which is helping now to address a broader range of issues.

We have had some very significant plants specific experiences where the quality of labor management cooperation is such that major new investments have been made to keep plants competitive. This was lacking in the steel industry 20 years ago. But today there is an LTV electric galvanizing plant in Cleveland, Ohio, which is operating competitively with the finest technology in the world under a union agreement that was negotiated between Steelworkers and LTV management which is as different from the past as to anything I could point to.

There are virtually only three or four job classifications in the plant, a minimum constraint in terms of work rules and there are no time clocks in that plant. Everybody is paid a base salary and they go from there.

The question is how to build from that plant specific experience to something that can be shared on a community and regionalized basis. We as a state think there is enough of an opportunity that we are investing $2 million of state revenue in an effort to build centers of labor managing cooperation to develop those skills and to share them both with workers at a shop floor level and with managers, particularly in the mid level.

Chairman HAWKINS. Thank you.

Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

Governor, I was pleased to see that the beginning of the most important area in this long range strategy is education. I was also very pleased when you said to start before kindergarten, a push for the Head Start Program, which works with children at that age. I would like to ask a couple questions.

You mentioned the importance of technology dissemination. There is so much criticism we hear from time to time about vocational education programs, whether they are considered post-secondary or secondary I was surprised when recently speaking to parts managers from Chrysler representing a couple states, that they apparently put most of their emphasis on their own training, which means some of this is duplicating what being done in Vocational Education, and doing much better because they had expensive equipment for the training.

In Ohio, are you doing anything to try to pull management and the vocational education programs together so that every company who doesn't have to set up of their own training program can coordinate with Vocational Education, and therefore at the same time help the vocational education schools with the high tech equipment and things that they need?

Governor CELESTE. Yes, we are. I think that the challenge is particularly at the secondary level. Vocational education programs that at least one point in history tended to be a substitute or tended to get young people off the track of mastering the basics that they needed as well, and we have learned from experience that even though a person may get first time job coming out of the vocational school, they need the basic skills to be flexible as that job changes down the line.

So we are trying to make a dual investment in our vocational system, and one is to strengthen the requirements around basics, around reading and math skills and vocation skills. And secondly, to more actively involve the business community design the vocational program and the use of equipment, not always at the school. What we are trying to do is get more access to the plants themselves and the companies themselves, because you can't afford to duplicate a lot of the new technology that's being incorporated very rapidly on a shop floor or in a new plant site.

In addition what we have done, and I can give you a specific example. We developed a program for training the service managers for General Motors on the new electronic automobiles that are being built. I mean it's totally different than taking a car in for service five or six years ago. This program we started in Owens Technical College outside of Toledo.

As the need to train more——

Mr. GOODLING. Excuse me. What part of Ford, did you say Ford?

Governor CELESTE. No, this is GM.

Mr. GOODLING. GM. What part did they play in it?

Governor CELESTE. They helped to design this, they made a financial investment in it and the state makes a financial investment, shared cost.

We recently have entered into an agreement to duplicate this program at the Cuyahoga Community College in Cleveland where there are also major General Motors plants. What we are trying to do is bring service folks in for this training at the same time that they can actually spend time with automobiles as they are being built and see them being built from pre-assembly through assembly, understand it, then get the training in the technical college in a program, it's not designed by academicians, but it is designed by GM folks in cooperation with people in the colleges. And I think that kind of partnership is going to be absolutely essential to create real jobs, to train people for real jobs in the future.

Mr. GOODLING. One other question.

You said the following principles should guide the national workers adjustment strategy. One of them you listed there is to open up the local delivery system should be mandated. I am not quite sure what you mean.

Do we have a problem here, first of all, we have an immediate problem, and then we, if I am following your suggestion here, that down time where we would set up this delivery system to meet this problem? Is there a problem?

Governor CELESTE. I think that——

Mr. GOODLING. Indeed, a problem versus a down time is set up for whatever individual program you would need?

Governor CELESTE. Each time you mandate a new type of delivery system, there is a time to get going, and some of us would like to be able to use existing vehicles, modified or redesigned to actually deliver the training services or other support services.

We find if you look at the experience of JTPA, many of us who are now four years into this, the first two, two and a half years of getting a system in place, getting it fixed together, learning where we wanted to make adjustments and focus on our problems of at risk teams, problems of disabled workers, that this took a period of time.

I guess what I would feel is that if we come up with a new worker adjustment policy, give us a chance if we can to plug it into some of the existing delivery systems which may be different from state to state in the way we have gone on.

Mr. **Goodling**. Well, that makes sense. I thought that's probably what you were referring to, but on the other hand I thought if everyone designed their own new system, we would have a long down time.

Governor **Celeste**. That is exactly true.

Mr. **Goodling**. This way they see if the existing system can be modified.

Governor **Celeste**. Absolutely.

Mr. **Goodling**. Thank you again.

Chairman **Hawkins**. Mr. Kildee.

Mr. **Kildee**. Thank you, Mr. Chairman.

Governor, I have enormous respect for you as I have for my own governor, and I am wrestling with this question.

The government's focus is on the economy, while we are working on the trade question trying to minimize the effects of unfair trade. Yet almost every governor, including my own governor in Michigan, is possibly being tempted by such things as tax incentives, foreign trade zones, lobbying foreign companies for foreign parts coming into that state.

Foreign trade zone, for example, you bring a part in, or parts in that would ordinarily be taxed higher at a low tariff, and then there would be part of the total unit taxed at the lowest rate. It's a tempting thing and I admit that I have been involved in these myself.

Do you have any ideas over this phenomenon where governors are constantly tempted to bring parts and companies to their states, foreign parts and companies, competing very often with companies that are in this country?

Governor **Celeste**. I think we face a real dilemma. As chief executives of our states, we don't like to miss any opportunity to encourage an investment for people who work in our communities, but I think we need to be guided by sound long-time principles.

I had a conversation with the leader of the team that was looking to locate Toyota manufacturing, and we had gone through a day-long presentation of all the reasons why they should be in Ohio, and since then they have chosen and it so happens they chose another state. And at the end of our discussion, he commented, governor, you have not said to me what every other governor has said to me. And I said, what was that. He said, other governors said you tell us what you want and we will do it. And I said, as a distinguished leader, I have to tell you I cannot make you that kind of an offer. I can tell you what I think we can afford and what is right for Ohio. I can tell you that over the long-term you will be able to produce in healthy, viable communities and there will be a good education system for your people. But I cannot just give you anything.

The other side of that coin is we have made a point in the last two years of sitting down with all of the Ohio-based companies and saying to them we want to make sure you understand what we have offered Honda that is coming in, or Mitsubishi that is coming into Ohio, because everything we offer them, we offer you as well. And I think as a ground rule, we ought to say a foreign investor should not receive something as an incentive to come to one of our states that we are not prepared to offer a person already doing business. And that is what we have done in General Motors, for example, in Ohio. Their investment of over a billion dollars last year really was in many respect mounted on some of the things that were done with Honda.

Mr. **Kildee**. I was talking to Bruce Smoot, the Under Secretary of Commerce, the other day. They are wrestling with a foreign trade zone in Tennessee right now, wrestling with one initiative, really trying to fix a national policy for the national economy into the needs of various states.

I ask if you are aware of this? It is a focus both on the state and the national level and very often parts come into the picture, and compete with the American based, American domestic parts companies, and we have a difficult time with so many parts coming in.

Governor **Celeste**. I think they are beginning to understand that, and we need to make that message very clear that unless there is some equity in the flow of commerce both ways, we can't survive as a marketplace and enjoy—and politically we won't accept it. And I think that the Congress has been sending an important message in that.

Mr. **Kildee**. The most obvious and what is clear right now, and will be clear tomorrow, hopefully, that some concession involved in obtaining the parts.

Thank you very much.

Chairman **Hawkins**. Mr. Williams.

Mr. **Williams**. Thank you, Mr. Chairman.

Governor, I am particularly intrigued by the shape of the partnership committee which has involved scientists, corporate heads and universities. Particularly I am interested in our research partners in the departments of your universities. You called it the Thomas Edison kind of program.

Can you tell us more about it? We are trying to, as you know, put a higher education component in the trade end of this bill. There are several universities working on just this type of data. We would appreciate it if you would share some information about the success of your program with us.

Governor **Celeste**. Mr. Chairman, Mr. Williams, we made a decision in 1983 at the time when we were suffering a severe budget problem and had to raise taxes and cut spending to appropriate $32 million for a program that we had not done before, and not put into the universities directly. We put it into the Department of Development, or economic development part under a separate board; people who were outstanding and objective citizens.

The goal of this money was to be used to encourage the movement of basic research out of laboratories, out of the universities into the marketplace. We were just in India recently on a trade—how do you commercialize basic science.

The program as it grew has three components. The first is technology application centers. In this case what we did was to invite proposals from universities and from consortia that would build on an existing basic experiment in research, but aim at the application of that research to new product or a new manufacturing process that would be competitive.

Early centers chosen included a polymer center in Representative Sawyer's area. It includes both the University of Akron and Case Western Reserve University. It won't be a marketable situation until you get two universities who have competed probably for 30 years with independent polymer research programs to come together in a $3.5 million investment by the state and a $20 million investment by private sector partners that included companies like Goodyear, Goodrich, Standard Oil, Eaton, TRW and others.

Each of these centers has an independent board with a center in advance manufacturing in Cleveland, and a center in welding sciences in Columbus, biotechnology center based in Athens, work has been done in Ohio University which includes Ohio State and Case Western, robotics in Cincinnati. We are adding centers in Dayton and Toledo.

Not all the proposals are funded by a long shot, and we look for those that have commitment to excellence, have a real commitment of private sector resources and build on that.

The second piece of the Edison program is seed money for this. New activities for research to be put into market place. We have 60 companies now and an investment anywhere from $50,000 to $150,000. It includes a company that is starting production now in ink, a no smear ink for newspapers, you would be happy to know. It's been tested on a number of papers, and we think it will be commercially applied and you will be able to read the Washington Post or the New York Times or whatever and not get ink on your hands in the future. But there are a variety of new enterprises like this.

As an outgrowth of research, often faculty persons, without a lot of business experience, getting together with someone with business experience and needing seed money to go forward.

The third is our incubators which provide a setting for new enterprises where they don't have to make the accounting services or legal services or secretarial services, where they can be under the same roof and working side by side with other state of the art enterprises focused on the business product and the success of their business and with some real help in the systems on the nonproduct side of the enterprise.

We are very encouraged by four years of experience now with the program and I have some information that I would be happy to share with you.

Mr. Williams. Are the centers connected to your university?

Governor Celeste. The centers are related organically to the universities, but not necessarily physically a part of the university. It depends on the circumstances. Each one of them has at least one university bond.

But let me say that there is a companion program to this which was focused on excellence in higher education that we have done through our board of regents. And this is the—it is strengthening what we do in the basic research itself. And that program has an investment in eminent scholars. We challenge the university by edifying the department where they have already national quality.

And we say we will put up a half a million dollars. You raise a half a million dollars. We will endow a chair for an eminent scholar in this area so that we can strengthen what we do. And it happens that we endowed a chair in polymers at the university in Akron. We have endowed a chair in molecular biology in Ohio University in Athens. It is kind of a companion within the university to what has happened in the Edison Center, but it is not essential.

At Ohio State we have provided for many a scholar in a relationship of reciprocity in an advanced area of chemistry where we were able to recruit a top person from Bell Labs in New Jersey that builds the program at Ohio State.

We have put a lot of money into research excellence and program excellence in the universities about—probably about $15 million or $16 million a year. It is available for proposals they make to the board of regents in areas where they may want to strengthen themselves. But two things that are operating parallel in the latest——

Mr. WILLIAMS. Is the primary purpose of the technology centers to develop research and then communication of that research among the entrepreneurs?

Governor CELESTE. The primary purpose of the technology centers is the application of research either existing work that ought to be taken out into the work place, or for example, if a company has a particular product—let's say I have been asked to submit a bid to General Motors for a new part that is a polymer. The part has got to work at a temperature that we have not had the material functions for. So, we need to tackle this particular problem, which is really a commercial application. The center is intended to do that kind of work with a clear commercial, clear product, clear manufacturing process payoff.

And we invite the participation. For example, in our welding center we have people at the University in Oregon who are invested and partners in the welding centers in Columbus, Ohio. We just had the international welding center in Great Britain. There is an effort to focus that particular area of competence and invited the private sector.

Mr. WILLIAMS. There are, Mr. Chairman, a number of these technology centers around the country. Some are different than the ones the governor is describing. But they are all a mechanism by which we could encourage and improve American competitiveness, particularly in product areas where we have to compete with our friends overseas.

I am going to ask that we bring that up again. I appreciate it. Thank you, Governor.

Governor CELESTE. If I may, Mr. Chairman and Mr. Williams.

As I travel with trade commissions from Ohio, I have found that the place where I get most of the questions from the Japanese entrepreneurs and Korean entrepreneurs, Indian entrepreneurs and German entrepreneurs is the Edison Program, and how can they participate. They perceive it as very important.

We met with Dr. Block of the National Science Foundation during the National Governors' Association meeting. And one of my suggestions to him was that—we worked very hard not to duplicate efforts but try to find ways to link the investments which, for example, the National Science Foundation members would make with what states are doing in Ohio and Pennsylvania, and a number of states in this area.

But also that we create an incentive for shared application and regional effort. I really think that one of the ways which we can become more competitive is to discourage the competition which is state by state, and that is very, very unproductive, and rather encourage shared efforts that allow us to be more competitive—research and development and application as we are trying to do it in a job—training job placement.

Chairman **Hawkins**. Mr. Owens.

Mr. **Owens**. Mr. Governor, we live in what we call the information age where everybody accepts or seems to ignore—the processing of information. I was wondering if you can comment more specifically on the role of information bases in company libraries, public libraries and private information industry groups in this process.

In your sentence is there some other component in which a small or medium size business person given access to—on-line data bases. If an entrepreneur wants to have a translation of a Japanese speculative paper and move that through—can you get it done?

Governor **Celeste**. Mr. Chairman, Mr. Owens, we have a program called tying—in fact, it maybe in one of the brochures of Edison amplifying it—which is an effort to provide immediate access to a data base particularly for the small and medium sized entrepreneur who does not have the same research facilities that NEA has or that TRW has or that NCR has or other major corporations.

We have even—I think we were the first state to plug that information network into the air force and then research development programs that are based at Adamson and work with them so that entrepreneurs know how and know what they might be bidding on, what they might be involved in productively, and work that could be used by the others.

It is a tremendously challenging process to try to help people to know what is going on and take advantage of that information in a timely way. And we are wrestling with that.

Chairman **Hawkins**. Mr. Sawyer.

Mr. **Sawyer**. Thank you, Mr. Chairman. A very brief comment about——

You mentioned the importance of coordination of governments of states and localities—appreciate that—the importance of discretionary authority and latitude and flexibility to meet the individual needs of the individual states with the broader national policy rules.

I am particularly interested in your thoughts about the basic delivery system and—that were—that those delivery mechanisms vary so widely among jurisdictions, for example, for 66 school districts—certainly a larger number—making possible greater sensitivity to local needs perhaps——

As we try to build a competitive national policy with regard to the importance of education, how can we respond to your state's needs for that kind of discretion and flexibility while we try to build a broader policy?

Governor **Celeste**. Mr. Chairman, Mr. Sawyer, it seems to me that one of the ways in which the federal government can be particularly helpful is by being—by helping us to understand what are the outcomes, what are the results that we ought to be expecting from any delivery system. The challenge, it seems to me, is to say, this is the performance we expect and measure you against this kind of a performance. And there may be four or five or six different ways to achieve this outcome. But the outcome is what is important.

And I think there is a need because everyone is reluctant to say what our standards are going to be. There is a need to begin at least to articulate that certain standards are necessary. We tried yesterday in a report on international education to suggest that there needs to be a much greater attention give to things like geography and languages, if we are to be locally competitive.

In some respects I think the more time spent on outcomes in helping people to understand why those outcomes are important would have a greater benefit than trying to design a system that would work—or say that you have to meet the following—and the more your system is organized in order to qualify for this event or the other. Then we spend all our time trying to get waivers. And then it becomes both expensive and time consuming.

We will wrestle at the state and local level with whether it makes sense to have 615 school districts or whether something more like Florida or even Hawaii.

Chairman **Hawkins** Mr. Solarz.

Mr. **Solarz**. Thank you very much, Mr. Chairman.

Governor, I gather from your testimony that the Governor's definition of the dislocated worker would include those who lost their jobs and not necessarily as result of foreign competition, for instance, from process of domestic change——

Governor **Celeste**. Major changes, that is right. Technological change could be a factor that could not be directly——

Mr. **Solarz**. What is the unemployment rate in Ohio?

Governor **Celeste**. The unemployment rate last month was probably 8.3 percent.

Mr. **Solarz**. How many people?

Governor **Celeste**. Four hundred fifty thousand people.

Mr. **Solarz**. Now, with the unemployment higher, how many would you estimate, if it is possible to do so, have lost their jobs as a result of foreign competition? What percentage of the total would that be?

Governor **Celeste**. It is very difficult for me to give you a carefully documented answer to that. But I would hazard a guess that at least a third of them.

Mr. **Solarz**. A third. And of the other two-thirds, how many of them—by the government?

Governor **Celeste**. Probably another third. I think we would be talking about two-thirds of this 450,000.

Mr. **Solarz**. Now, how much have you spent in Ohio in an effort to help dislocated workers find work? I have in mind in particular those who have lost their jobs through foreign competition?

Governor **Celeste**. Mr. Chairman, Mr. Solarz, we last year spent about $5 million under title 3 of JTPA, about $5 million under

TAA. So, that would be a total of $10 million. In addition, we probably invested on the order of $5 million in state industrial training plans as well in circumstances where because we anticipated layoffs and the people had not been given notice of termination——

Mr. **Solarz**. So, you were spending about $15 million. This money was spent essentially on training people putting them in a new position.

Do you know how many people actually participated in these training programs and how many of them ended up getting new jobs as a result of the training?

And could you then give us a bottom line estimate of the cost per new job found?

Governor **Celeste**. Mr. Chairman, Mr. Solarz, what I would like to do is not hazard a guess here. I think we can get some information that goes directly to that question. How many do we reach with these training programs? How many were placed in jobs and at what cost?

Mr. **Solarz**. Well, I appreciate that, Governor. I guess what I am trying to get at is the cost effectiveness of the approaches that are currently being followed. I gather that you would provide additional funding for these programs

Do you have any idea whether it is cost effective?

Governor **Celeste**. I believe it is.

Mr. **Solarz**. What would be the criteria by which you determine whether it is cost effective?

Governor **Celeste**. The ability to get people back into a productive job within a reasonable period of time. And I think that——

Mr. **Solarz**. But that would also be related to the amount spent. For example, if it turned out for every million dollars that was spent you retrained one person, and it was costing you a million dollars to equip somebody with another job, I would venture to say that is not cost effective.

Governor **Celeste**. Absolutely not. That is why a reasonable period of time and a reasonable cost are what we have to look at. I would like to give you the figures because it will vary——

Mr. **Solarz**. Well, what would you consider a reasonable cost?

Governor **Celeste**. I guess I would have to compare it to what is the cost of unemployment compensation for these individuals, what is the cost to us if they receive unemployment compensation, and just receive public assistance of some kind of another, because there is a cost to us in any event.

I am told that in our dislocated worker program, it costs us about $3,500 per placement in training—in our investment in training. But I would like to look at these figures and give them to you because I think they vary.

Mr. **Solarz**. Let me say that I would personally appreciate it if you could possibly submit to the committee for the record some further thinking on what you would, in fact, consider a reasonable cost to be, taking into account various factors.

My impression is that one of the original and primary justifications for electing to help workers who lose their jobs through foreign competition to acquire skills that will enable them to obtain new employment is that this gives the workers a sort of a psychological push. They know that if they lose their jobs to foreign competition, it doesn't mean the end of their productive lives, that there are ways to get new employment.

It would be helpful not only in the human ways—people who have to work—but would also enable us to persist more effectively to demand the protection of this legislation of workers who really feel that either they keep the particular job they have or they have no job at all.

And to the extent that is the motivation for it, it would seem to me that we ought to proceed very cautiously in expanding the definition of dislocated workers to include workers who lose their jobs for reasons unrelated to foreign competition. That is not to say that we ought to reward that group of people. Obviously, a person without a job is a person without a job. It matters little whether they lost their job because of foreign competition or domestic competition or whatever.

But insofar as the legislation before us is designed to deal explicitly with the problem of foreign competition, I should think that we might be better off focusing and concentrating our resources and training on that particular aspect of the problem rather than—by making available resources for general use.

Governor Celeste. Mr. Chairman, Mr. Solarz, I think that what you find—the reality from the worker's standpoint today in the industrial community is that the line between what is a result of foreign competition product coming in here and being sold or a new technology that is adapted in order to be able to meet foreign competition and maintain a position in the marketplace is a hard line to draw. And at least the frame of mind I think in which the governors now look at the notion of a worker adjustment strategy is that the more flexibility we have—we are going to have to decide on a resource level. And we understand that. The more flexibility we have in applying those resources, the better we will be able to meet the needs of people who are dislocated and sometimes very clearly by a foreign import that comes in and takes a piece of the market. It can be other dimensions of foreign competition—the reality of foreign competition——

Mr. Solarz. I would really like to have a broad definition of what you mean by foreign competition—take a variety of forms. But if we are going to solve this problem of national competitiveness, and if training and retraining the workers to use their job skills is a significant component of it, given limited resources, it strikes me that we are better off concentrating those resources on those that use their job for a particular purpose. Then we can see if we can come up with programs for the others. Obviously, they need help as well.

But I want to thank you for your testimony——

Governor Celeste. We will provide figures, Mr. Chairman.

Chairman Hawkins. Governor, let me ask you to respond—I understand that you do have a prior——

Governor Celeste. I need to leave in about 10 minutes, Mr. Chairman, if that's agreeable.

Chairman Hawkins. Mr. Gunderson.

Mr. Gunderson. Thank you, Mr. Chairman, and thank you, Governor. I had a chance to review your statement, and I want to assure you that there are those of us on this committee who feel very strongly that a displaced worker is a displaced worker is a displaced worker, and we ought not focus on the exact cause for their displacement but, focus on their placement in the work force again. I appreciate your comments in that regard.

We would like to ask you a question. On page 6 of your statement you listed a number of—page five—there is a number of the general goals. On page 6 at the top you say that local government delivery should be mandated.

One of the elements of the Secretary's proposal is to in terms of disbursement of funds—state—have the governor in consultation with a picked council of local elected officials jointly make a decision as to who ought to be the deliverer of services within a particular service delivery area.

Can you generally support that concept?

Governor CELESTE. Mr. Chairman and Mr. Gunderson, even that in my judgment would be more of a constraint than I think is necessary for the program to be successful for several reasons.

In the first place, in certain instances you are going to clearly want to be in a multiple jurisdiction and to have one picked council be part of the effort in trying to decide who—how the service is delivered does not make sense.

I pointed out that we have created several industry-wide training programs in Ohio that operate because of dislocations within an industry. The coal industry, to take an example, involved 16 different counties and probably three or four different private industry councils.

So, my view is to try and make it as broadly permissive as possible. The real clear statement of it is the outcome that is desired—is what we desire as an outcome.

Mr. GUNDERSON. Can we expect from the Governors' Association a direct statement either in support of or in response to the Secretary's proposal?

Governor CELESTE. I think as we have an opportunity to examine it, we might be able to give you more specific comments. These six principles, however, were certainly intended to give some clear sense of how the governors would like to see this done.

Mr. GUNDERSON. What about the six standards that you've included in strong labor management cooperation that you support? We all struggle with that whole issue. Certainly as consolidation of business and industry occurs, I think we clearly have a problem we have got to deal with.

Number one, should we mandate? Number two, if we do mandate, how inclusive might we be in mandating the cooperation and consultation, and et cetera. Ought we to focus only on businesses of a certain size, or do we focus only on businesses that clearly are multiple entities and are consolidated as opposed to those which are remaining closed for financial reasons?

Have the governors or you personally determined the direction as to how far we might go on this whole issue?

Governor CELESTE. The governors have not taken a position on the details of a plant closing or of a notification at this point.

I personally feel that there is a question in terms of the size of the business enterprise. There is very substantial merit for both sides by an early notification requirement, and that I would have to study in detail what other aspects. I know there are several proposals that are being discussed now, and I have not had a chance to really look at them.

We have been going through this with the recently announced closings by General Motors, two of the eleven plants they proposed to close in the State of Ohio. And so we have been working both with the corporation and with representatives of workers in those plants to try to determine how to deal with that notification and what comes next.

Some companies have very well-established programs in this area and a lot of experience. And what I see suggests that the more a company takes seriously a notification requirement, the better off both the company and its workers are and the communities that are affected. We have had experience with General Electric which has a long-time commitment to early notification of its workers and its communities, and we have seen considerable success around that program.

Mr. **GUNDERSON**. Fine, thank you.

Thank you, Mr. Chairman.

Chairman **HAWKINS**. Mr. Grandy?

Mr. **GRANDY**. Thank you, Mr. Chairman. Thank you, Governor, for remaining.

I am sorry I am late, but we had an important Agriculture hearing and the Secretary of Agriculture was here. I want to follow up on something that I asked him.

You mentioned something in your statement about the need to target funds to reflect a dislocation. I am concerned about how you target funds from dislocated farmers because I am sure you have your complement of dislocated farmers. Where do they fall in the labor statistics?

How in Ohio do you locate these people, one. And how do you get them into retraining programs? I am basically looking for models that we might be able to take back to Iowa because this is a problem of increasing magnitude, and I would be grateful for any insight that you might have.

Governor **CELESTE**. One of the reasons, Mr. Chairman and Mr. Grandy, for the recommendation by the governors is that we use a broad definition of dislocated workers. There is clearly the need to incorporate dislocated farmers.

In Ohio we have reached out to these families through the cooperative extension service. We have had, in effect, a crisis intervention program that has been under way now for two and a half to three years by counseling families where they are imminently in danger of losing their farm, losing their ability to support themselves as they have frequently for several generations.

And I think that you are right. It is not a matter of thinking they can go in and apply for unemployment compensation, therefore being identified in an office in that fashion.

How we design a program, retraining program, that reaches these people who may be relatively dispersed is a challenge. But it seems to me precisely the kind of challenge that we should be having to meet in communities across rural Ohio and communities across rural America.

Chairman **Hawkins**. Recognizing the problems of rural America means having to develop a formula or calculation that takes them into account. Without that there would probably be a different disbursement of funds that would include states that ordinarily perhaps would not be eligible for dislocated worker funds.

Is there anything that the governors are doing perhaps to investigate that method?

Governor **Celeste**. Mr. Chairman, Mr. Grandy, I understand that NGA is working on the whole issue of trends and where the problem seems most acute, how we develop data. One of the other points in my testimony as the need for federal assistance in labor market information, and it seems to me this is another aspect.

We right now do not get all of the local labor market data we need to make good, timely and well-targeted decisions. So, NGA is taking a look at it. I think it is also a matter of taking look at how the federal labor statistics are put together and the degree to which, for example, they take into account what is happening in rural communities.

Mr. **Grandy**. Well, I would appreciate any finding that the NGA has in this area.

Thank you, Mr. Chairman.

Chairman **Hawkins**. Thank you again, Governor Celeste. We express our appreciation. You have been very generous and a great help to the committee. We look forward to your next visit.

Governor **Celeste**. Mr. Chairman, thank you. It is always a pleasure to come before this distinguished committee and distinguished chairman.

Chairman **Hawkins**. The committee is adjourned.

[Whereupon, at 12:00 p.m., the committee was adjourned.]

EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS ACT

WEDNESDAY, MARCH 4, 1987

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The committee met, pursuant to notice, at 10:07 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins presiding.

Members present: Representatives Hawkins, Murphy, Kildee, Williams, Owens, Sawyer, Wise, Penny, Richardson, Robinson, Coleman, Petri, and Grandy.

Staff present: Eugene Sofer, budget analyst; Jeff Fox, minority assistant counsel.

Chairman HAWKINS. The Committee on Education and Labor is called to order. This morning I would like to welcome you to the fifth in the Education and Labor Committee's series of hearings on how to enhance American competitiveness.

Unfortunately, one of our invited witnesses, Professor White, was delayed in Boston and may not be able to appear at the hearing. However, I would like to commend her testimony to the members that are present and to those in the audience who may be interested in that particular subject.

[Prepared statement of Professor Merry White and an article from U.S. News and World Report follow:]

PREPARED STATEMENT OF MERRY I. WHITE, HARVARD GRADUATE SCHOOL OF EDUCATION

Many of us are dazzled by the results of Japanese educational mobilization. It has been said that the Japanese high school graduate is as well educated as an American college graduate. College entrance examinations in Japan in science and math test high school seniors at a level about equivalent to the third year of specialized courses in an American university. It is also impressive that there can be the expectation _on the factory floor_ that any worker can understand statistical material, work from complex graphs and charts and perform sophisticated mathematical operations. The consensus that education is important, however simple it may sound, is the single most important contributor to the success of Japanese schools. Across the population, among parents, at all institutional and bureaucratic levels, and highest on the list of national priorities, is the stress on excellence in education, and this isn't just rhetoric.

Before we say that the Japanese kid isn't fair -- just as protectionists say the Japanese auto industry isn't fair -- we should look at the special factors in Japanese culture and society which contribute to educational success.

The well-known high test scores are only part of the picture. While test scores indicate that Japanese children are testing higher, especially in math and science, than any children in the world, and while British researchers have even claimed that Japanese children on the average have 11 points over American children on IQ tests, the real key lies behind the enormous amount of material the Japanese child has learned but in the social and psychological environment and outcomes of Japanese education which are similarly impressive and in fact are primary contributors to cognitive achievement.

Before I go into more detail concerning the methods and outcomes of teaching in Japan, it would be best to give you a few facts about schooling in Japan.

1. Education is compulsory for ages 6-15 or through lower secondary school. Age is almost inevitably correlated with grade level, by the way, because only rarely is a child "kept back" and almost never "put ahead". Non compulsory high school attendance both public and private is nearly universal, at 94%.

2. There is extensive non official education. Increasing numbers of children attend preschools -- currently about 95% of five-year olds are in kindergarten or nursery school, 70% of four-year olds and 10% of three-year olds. Many older children attend juku, or after school classes, as well. These are private classes in a great variety of subjects but most usually provide enhancement and reinforcement of subject material to be learned for high school or college entrance examinations.

3. Competition for the most prestigious universities

is very steep, but still nearly 40% of the college age group manages to attend college or unversity.

4. Children attend school 240 days a year compared to 180 in the U.S. Many children spend Sundays in study or tutoring, and vacation classes are also available. By the way children do not always experience this as oppressive, and younger children often ask their parents to send them to juku as a way of being with their friends after school.

5. Across the nation, primary and secondary schools provide what we would call a CORE curriculum: a required and comprehensive course of study progressing along a logical path. This rich curriculum is offered to all students across the country, in all schools. In high school all students have Japanese, English, math, science, and social studies every year, and all have had courses in chemistry, biology, physics and earth sciences. All high school graduates have had calculus. All of this adds up to the fact that a Japanese high school graduate has the equivalent of an American B.A. upon graduation.

6. Computers and other technology do not play much of a role in schools. The calculator is used, but

hasn't replaced mental calculations, or for some, the abacus. There is said to be no national program to develop high technology skills in children. One third grade math teacher when asked why she didn't use the school's computers with her students, said "class time is too precious to use machines". We spend much more money on science and technology in the schools while the Japanese spend money on teacher training and salaries.

I will briefly outline some of the considerations we have to face when we propose "borrowing" from Japan.

There are clearly advantages in being a member of a relatively homogeneous population focussed on perpetuating its cultural identity, advantages in having an occupational system where selection is based on educational credentials; advantages in being part of a system where there is a relatively equal distribution of educational opportunities across the population and across the country; where there is a core curriculum available to all children; and where families especially mothers, are devoted to enhancing the life chances of children and working cooperatively with the educational system. Finally, there are high standards for performance in every sector, and a carefully graded series of expectations for performance in the school curriculum.

Let's look at these factors more closely. Japan has a relatively homogeneous population, a point illustrated by Prime Minister Nakasone's public statement about American education. In terms of race and economic class there is seen to be little variety. Minority groups, such as Koreans and the former outcastes exist and do suffer discrimination, but all children, especially in comparison with the United States, have equal access to schooling. Income is more evenly distributed in Japan than in America and most people (96% in a recent prime minister's office poll) consider themselves to be middle class. There are few remaining regional differences that affect the educational system, except perhaps local accents.

Second, educational financing and planning are centralized. While American educational policy sees the responsibility for schooling as a local matter, Japanese planners can rely on a centralized source of funding, curriculum guidance, and textbook selection. National planners and policymakers can mobilize a highly qualified teaching force and offer incentives that make even the most remote areas attractive to good teachers.

Third (but perhaps most important in the comparison with the United States) teachers enjoy respect and high status, job security, and good pay. More than in any other country, teachers in Japan are highly qualified: Their mastery of their fields is the major job qualification, and all have at least a bachelors' degree in their speciality. Moreover, they have a high degree of professional involvement as teachers: 74 % are said to belong to some professional teachers organization where they actively work on in which teaching methods and curriculum.

Teachers are hired for life, at starting salaries equivalent to starting salaries for college graduates in the corporate world. It is an absolutely higher wage than that of most starting American teachers. The difference is especially striking when one considers that over all professions, salaries are lower in Japan than in the U.S. In fact, American teachers' salaries are near the bottom of the scale of jobs requiring a college degree. Relative status and prestige correlate with salary in both countries.

Japanese teachers see their work as permanent: Teaching is not a waystation on a path to other careers. Teachers work hard at improving their skills and knowledge of their subject, and attend refresher courses and upgrading programs provided by the Ministry of Education. Classes are large: the average is about 40 students to one teacher. Teachers feel responsible for their students' discipline, behavior, morality and for their general social adjustment as well as for their cognitive development. They are "on duty" after school hours and during vacations, and supervise vacation play and study. They visit their students' families at home, and are available to parents who have questions and anxieties about their children.

Fourth, there is strong institutional support for education because the occupational system relies on schools to select the right person for the right organization. While specialized training is provided by the company, the company relies on schools to train basic skills at very high levels.

But the successes of Japanese education cannot be explained by these factors alone.. There are other, less tangible factors that derive from cultural conceptions of development and learning, the valued role of maternal support, and psychological factors in Japanese pedagogy, and which distinguish it from American schooling. But these too, considered under our own lights, can be instructive to American education.

The role of mothers is especially important. The average Japanese mother feels her child has the potential for success: Children are believed to be born with no distinguishing abilities (or disabilities) and can be mobilized to achieve and perform at high levels. While American mothers explain children's failures as lack of ability and a child can say "I did my best", Japanese mothers say their children's failures are due to lack of effort. Effort and commitment are required and, at least at the beginning, it is the mother's job to engage the child.

The basic principle of child rearing is: Never go against the child. This is often a long-term process that ultimately engages the child in the mother's goals, and makes her goals the child's own, thus producing an authentic cooperation. The distinction between external, social expectations and the child's own personal goals becomes blurred from this point on. An American might see this manipulation of the child through what we would call "indulgence" as preventing him from having a strong will of his own, but the Japanese mother sees long term benefits of self-motivated cooperation and real commitment. From the earliest years, learning is part of relationships, and vice versa.

Engagement in learning begins very early in Japan. There is even an old tradition of training in the womb, called taikyo. Mothers have a real curriculum for their small children. There are counting games for very small babies, songs to help children learn new words, devices to focus the child's concentration. Parents buy an average of two or three new books per month for their preschoolers, and there are about forty monthly activity magazines for preschoolers, very highly subscribed. The result is that most children can read and write the phonetic syllabary and do simple computations before they enter school.

The Japanese phenomenon of maternal involvement recently surfaced in Riverdale, New York, where many Japanese families live. School teachers and principals there noted that each Japanese family was purchasing two sets of textbooks. On inquiring, they found that the second set was for the mother, who felt she could better coach her child if she studied during the day to keep up with his lessons. These teachers said that Japanese children entering in September with no English ability finished in June at the top of their classes in every subject.

It is clear that the differences between families in Japan and those in the U.S. would mean that for "mother" in the Japanese case we should read "parent" or in fact, wider socially provided support systems in the U.S.

Among the stereotypes of Japanese education in the American media is the idea that the child experiences heavy competition at school. We also commonly assume that Japanese children do well because they work long hours under great pressure to succeed, that their teachers and parents drill them incessantly and that rote memorization is the primary didactic method. Recent American newspaper and magazine acocunts say that there is no individualism, no creativity encouraged in schools. And all of the effort, it is said, is in service to the economic success of the nation, not for the development of the child. There are a few realities behind these stereotypes: in high school, as opposed to primary and early secondary schools, the study plan does not permit of much deviation and children are not streamed by ability. For the geniuses there may indeed be a problem, for there is little provision for tracking them to their best advantage. The superbright may indeed be disadvantaged.

On the other hand, creativity and innovation are encouraged, but their manifestations may be different from those an American observer would expect. Creativity to an American involves a necessary break with traditional content and methods and implies the creation of a new idea or artifact, or at the least, independent invention. Whether creativity is in the child, or in the teaching to be transmitted to the child, and how it is to be measured, are questions no one has satisfactorily answered. Why we emphasise it is another question, and it is probably related to our theories of progress and the importance we attach to unique accomplishments, to the Henry Fords and Albert Einsteins, to push society and knowledge forward. The fact is, however, that our schools do if anything less to encourage creativity than do the Japanese, especially in the arts. In school, Japanese children are given the tools, methods and practical acquaintance with the media of artistic expression: all learn two instruments, everyone can read music, all are trained in the use of visual arts materials, and electives are offered in other arts after regular school hours. Originality is seen to come after proficiency. It is true though, that if everyone must be a soloist or composer to be considered creative, then most Japanese are not encouraged to be creative. Japanese children do test highest, by the way, in problem solving and hypothesis formation, belying the stereotype that all they know are facts, drilled into them and memorized.

The statistical level of pathological symptoms and behavior among school age children (and their mothers) is, contrasted to America, a very low one indeed -- at least in comparison with American deliquency patterns and other juvenile socio- and psychopathologies. The crimes reported among school age children in Osaka in one year, for example, are equal to those reported in one day in New York.

But the Japanese public hears about such problems much earlier than we hear about ours because the Japanese are extremely sensitive to them, and consider even very small numbers to be predictors and warning signs. The currently well-publicized incidence of *ijime* or bullying (chiefly in middle schools) is said to be the product of high pressure and conformity in schools, and while statistically still low, is said to predict a moral and intellectual decline.

In a resource-poor society, the development of *human* resources is of vital importance and any strain in the population being educated is seen to present risk. Japanese parents are critical and watchful of their schools and are not complacent about their children's successes. There was a telling example of this lack of complacency in a recent comparative study of American and Japanese education. Mothers of elementary school students in Minneapolis and Sendai, roughly comparable cities, were asked to evaluate their children's school experiences. The Minneapolis mothers consistently answered that the schools were fine and that their children were doing well, while the Sendai mothers were very critical of their schools and worried that their children were not performing up to their potential. Need I tell you whose children were, in objective tests, doing better? The Sendai group, in fact, so much better that the poorest performer in the Japanese group was well ahead of the best in the American group.

To return to the stereotype which is of great interest to American educators: do the Japanese indeed achieve through drill and rote memorization? Do Japanese teachers emphasize discipline rather than creative thinking?

The high scores Japanese children achieve in math and science are not the product of a rigid authoritarian classroom, but rather the result of a number of surprising factors. One of these is the importance role given to feelings in school learning. There is a strong relationship between the supportive and nurturant atmosphere of learning and the high performance and achievement outcomes in Japan.

What first strikes the Western observer walking into a Japanese elementary school classroom is the noise and activity level. An American teacher would be horrified: children are all talking at once, leaping and calling for the teacher's attention -- the American's response is to wonder , "who's in control of this room?" But if you could understand the content of the lively chatter, you'd see that all the noise and movement is focussed on the work itself -- children are shouting out answers, suggesting methods, exclaiming in excitement over results -- not gossiping, teasing or planning games for recess. The teacher is standing on one side, correcting papers or consulting with individual children. He or she is not concerned over the noise, as long as it is the result of this engagement, and in fact may measure his or her success by such manifestations. By the way, it has been estimated that American teachers spend about 60% of class time in organizing, controlling, and disciplining the class while Japanese teachers spend only 10%.

The point I want to make here is that Japanese teachers recognize the role of feelings in learning and stress the emotional as well as the intellectual aspects of study. To engage the child's commitment and motivate his or her effort is the teacher's primary task. This emphasis is most explicit in elementary and middle schools but persists as a very strong subcurrent later as a prerequisite for the self-discipline children employ in high school.

Our educational rhetoric does invoke "the whole child", does seek "self-expression" and does promote affective engagement in "discovery learning". But Japanese teaching style, at least in primary schools, effectively employs a nurturant, engaging, challenging and sensitive teaching style which surpasses most

American attempts. In the cubing class, I was struck by the spontaneity, excitment, and to American eyes, "unruly" dedication of the children to the new idea, and impressed with the teacher's ability to create this positive mood. It could be a cultural difference: we tend to separate cognition and affect, and then to devise means of reintroducing, rather artificially, "feeling" into learning. It is rather like the way canned fruit juices are produced, first denatured by the preserving process and then topped up with chemical vitamins to replace what was lost.

It is not enough to claim that the Japanese have been successful in training children to take exams at the expense of a broader education; it is not at all appropriate to say that culturally or socially they are unable to develop children's individuality and to create the geniuses who make scientific breakthroughs. The first is untrue and the second remains to be shown as false by the Japanese themselves who are now mobilizing to produce scientists who do more than improve and adapt. And there is no reason why they won't be able to produce Nobel prizewinners. Their advances of the past twenty years were based on AMERICAN principles of productivity such as Quality Control, not on samurai management skills and Zen austerities.

Looking for Japanese secrets, or worse, protesting that they are inhuman or unfair won't get us very far.

What we care about, it appears, is losing out to Japanese industry, and our rush to find out their "sefets" only slightly masks the fact that we see in their schools what we want to see. What we give prominence to as crucial in the success of Japanese children are characteristics that are appropriate to a conservative agenda, and we ignore the more interesting and surprising facts behind the test scores. It is not surprising that we attend only to discipline and order, morality in the school, and basic skill training, and imagine that these are transportable secrets of Japanese educational success.

There are deeper cultural reasons as well as political ones for our choices: for example, we associate academic success with externally exacted discipline and assume the position that a child's will must be "broken" for him or her to succeed. We thus see adults in confrontation with children, and for the child to succeed in life, the adult must "win".

We are likewise concerned with morality, and the recent call to reintroduce prayers in the schools represents both a political position and a backlash reaction to deculturalization of the school which began two decades ago in a well-intentioned effort to give no bias in our schooling which might endanger the cultural norms of any group in our pluralistic society. But our ideas of discipline and morality, which we *think* we see enacted in a Japanese version of an American conservative utopia, are far from the Japanese *reality*, and we vouild do well to consider both our goals and theirs before attempting to borrow practises which will only be frustratingly ineffective in our culture.

Our insistence that the Japanese must browbeat their children, stuffing facts into their heads through rote memorization and stifling their individual wills, their creativity and their emotional development through intensely focussed control says more about our beliefs than it does about their realities.

The role of moral instruction in schools is a subtle one, but a cross-cultural view of education in being "a good person" should clarify our expectations and practises. Those who would re-establish prayer in the schools see the Japanese school as representing a strong and explicit morality, but neither the abstract and universal morality of the Golden Rule nor the codes and rituals of established religion have anything to do with "morals lessons" in Japan. Morality is very down to earth and positivistic, not threatening or punitive or enshrined in sacred or legal formulae.

Those who say that the cohesion and order of Japanese society is possible only because of its "cultural homogeneity" are ignoring the fact that homogeneity and plurality are to some degree choices -- all societies are diverse, and all, if they choose, can develop consensus in valued arenas. I believe that American parents of all backgrounds and cultures have such a potential agreement with regard to the education and future of our children.

There are then lessons for us, and these can only be understood if we use Japan not as a blueprint for America but as a mirror. And most important for the implementation of these lessons is serious reappraisal of our interest in education: it is necessary to make education a national priority but not a political shuttlecock as it has become. It is far better to learn from the surprises in Japanese society and not from our stereotypes, to investigate the joy Japanese children have in learning, than to gloat over the horrors of "examination hell" and to resign ourselves to the impossibility of transfer. But the outcomes of our own reforms must be American, and we must learn from the Japanese a most important lesson: if we want to borrow anything, it is the attention they devote to their own paramount cultural priority: the improvement of children's lives.

Harvard educator Merry White on the pros and cons of Japanese education

A society where students are No. 1

Q Professor White, why are the Japanese so successful at educating their children?

Because the entire society is mobilized around children, and the No. 1 concern for anyone in Japan is education. There are about 50 monthly magazines that parents of preschool-age kids can subscribe to. Bookstores are filled with manuals on how to work with your child. And a very popular desk for children to use at home has a sort of dashboard with an electric pencil sharpener and a built-in calculator. There's a button to push that rings a buzzer in the kitchen to get mama to help with something or bring a snack.

Q Mothers wait on their children?

Yes. Most mothers don't work outside the home, especially when their children are small. Their major profession is mothering, and their relationship with their child is intense and indulgent. It's said that the Japanese mother is an agent of the educational system and that without her it wouldn't work. In some places, parents are fined *if* they don't go to PTA meetings. These women have a curriculum for their kids, even in infancy. They're very inventive about it, with games and songs, exercise and dancing. It's a joy to watch a Japanese mother with her child.

Q And Japanese fathers?

Father is indulgent but not much involved. He simply isn't home much. He works on Saturdays and usually has to spend much of his time off on work or company socializing. Sunday is when he's with the kids. So there's a nickname for father: He's called the Sunday friend.

Q What about teachers? Are they terribly strict?

A lot of Americans believe that the Japanese child, in order to be so accomplished, must suffer a terrible burden of discipline. I've chosen to look at elementary schools, where quite the opposite prevails, because I think that's where Americans can learn from Japan. Our expectation is that Japanese children are all sitting in rows, quiet, hands folded in laps. But there's a big surprise when you walk into a Japanese elementary-school classroom. You think: "Oh, my God, who's in charge here? This is terrible." It's very, very noisy. Kids are jumping all around and calling out answers to questions. American teachers would be appalled: They seem to be afraid of kids. But Japanese teachers are relaxed and stand off to one side, not trying to control the classroom. When you really listen to what the kids are shouting, they're not teasing each other or planning recess games. They're engaged in the work and are shouting out answers in friendly competition. They're so involved that the teacher often says that the noise level is the measure of her ability to motivate the kids.

Q But don't they stifle creativity?

That's another myth about Japanese classrooms. If you read the creative writing of junior-high-school kids, or look at their painting, it's fantastic. They all learn to read music and play two instruments. The Japanese believe that creativity comes after mastery, and mastery is what the schools can offer.

Q Are there programs for gifted children?

No. You don't find an emphasis on individual genius in schools. The Japanese have adopted a fiction that kids are innately equal and that you treat all children the same. They believe what matters is effort and not some ceiling on ability.

But the Japanese ignore real problems that might prevent a child from measuring up. For instance, programs have only recently been established for kids with learning disabilities and handicaps. Geniuses don't get recognized. Early bloomers, late bloomers—anybody who doesn't bloom on schedule—can potentially fall through the cracks. The Japanese simply do not want to recognize diversity. There's such an investment in homogeneity. They have phrases for it: "We are all one white silk sheet." "The head that sticks up above the others gets lopped off." Japanese kids who go overseas with their parents come back marked as outsiders, sometimes called *gaijin*, which means *foreigner*. There's a real problem for a Japanese kid who is different.

Q Why is being an individual discouraged?

Children are taught to think of themselves as members of a group. The school is a society with its own ways of doing things. And the most important goal for teachers is to give children the confidence of membership by teaching them, for instance, how you place your outdoor shoes in the cubbies and put on your indoor shoes. Children learn about social relationships: The way you behave with your teacher, with your elder brother, with your mom. In the first grade, before doing anything academic, the teacher spends the first part of the year getting the children socialized to the ways of the school and the habits of working together in groups. Children are even responsible for cleaning the school.

Q Are teachers working with small classes?

No. Japanese classrooms can have 40 or more students to one teacher. But in grade school, it is common to divide the group into smaller groups of five or six kids each, called *han*. Tasks are assigned to *han* rather than to individuals. The *han* leader—who is called a *hancho*—is like a kid teacher who helps bring up the slow students. The system works, because it takes the pressure off the individual. He stands or falls with the group. It's just like the work teams that are established in the workplace. These teams support individuals and allow people to be creative within the group. But their heads don't stick out.

■ Merry White, director of international education at Harvard's Graduate School of Education, is author of *The Japanese Educational Challenge: A Commitment to Children*, published this month by the Free Press.

Chairman **Hawkins**. Today's hearing will focus on the state of mathematics education and how it might be improved, the potential uses of educational television in reaching American students and workers, the need for investments in educational infrastructure and basic facilities, and the state and the needs of graduate education.

I want to thank each of the witnesses for appearing here today and ask them to come to the witness table as their names are called.

First, Professor John Dossey, President, National Council of Teachers of Mathematics; Mr. Forest L. Morris, Executive Director of Mississippi Authority for Educational TV; Dr. Howard Swearer, President, Brown University; and I understand that they will be joined subsequently by Dr. Peter Likins, President of Lehigh University.

I want to welcome our most distinguished witnesses and indicate that their prepared statements will be entered in the record in their entirety. We would appreciate if they would give us the highlights of their statements so as to leave time for questions. We would like to reserve as much time as possible for the witnesses to develop their thoughts upon questioning.

First, we will hear from Professor John Dossey, President, National Council of Teachers of Mathematics.

Professor, we welcome you.

STATEMENT OF PROFESSOR JOHN DOSSEY, PRESIDENT, NATIONAL COUNCIL OF TEACHERS OF MATHEMATICS

Mr. **Dossey**. Mr. Chairman and members of the committee, I am John Dossey, President of the National Council of Teachers of Mathematics. This is an organization of 65,000 individuals and schools that are dedicated for the improvement of mathematics learning and mathematics teaching at the pre-college level. In addition, I am a professor of mathematics at Illinois State University where my major responsibilities involve working with public schools and in teacher training.

I would like to commend you on your investigation of the competitiveness aspect from an education foundation. I think the recent results that you have seen published here in Washington from the International Symposium of Mathematics Education at the National Academy, last year's publication on literacy from the National Assessment of Educational Progress indicate that we do have some severe problems in that educational foundation on which our economy and our future competitiveness in technology reside.

I might refer you in my testimony to the figures at the end of the testimony and in particular, beginning with year one which shows the position that our eighth graders currently reside in comparison with other countries around the world from the Second International Mathematics Study.

As you can rapidly see, our performance of eighth graders, and here we are comparing students in the United States with essentially 100 percent of their peers internationally in the other countries at the end of mass education, rank at about the average level in both arithmetic and algebra skills, but fall into the lower quartile when one deals in geometry and even further behind when one deals with measurement.

In fact, measurement skills and some of the geometry skills perform a real foundation level for our students who are entering vocational and technical careers. And you can see that their performance is very low and, in fact, no major industrialized country falls below us.

I refer you to the second page, or the second figure, which shows that these differences begin almost upon entry into school. I noticed in your legislation that you speak to the role parents play. In the recent findings in the roles parents play in parental education to assist their children, especially children in groups within our population who are at risk, can pay a vital role in children's learning.

In fact, by the fifth grade, we are already a standard deviation behind our Oriental counterparts.

The third graph gives you a quick examination of the two graphs on the left of that page of where we rank at the end of twelfth grade. Now we are talking about the proportion of our students who are preparing for advance study in mathematics, science or into the very creative areas of technology.

Here you see that we rank again very low internationally, and again no major industrialized country ranks below us.

The performance in advanced algebra talks about performance that is required to enter into business programs, into sociology, social work programs and into technology programs and computer science.

The information on elementary functions and calculus talk about students' preparation in an international comparison for being ready to move into science and advanced technical areas.

The graph on the right side shows that much, unlike what much of the popular opinion is, even our very best students do not compare well internationally. In fact, our top 5 percent of our twelfth grade students who are taking four years of college preparatory mathematics fall below the average performance level achieved by Japanese students.

I think that these results are very disturbing. They are very disturbing to mathematic professors, mathematic educators and classroom teachers. But perhaps the most disturbing fact is captured in the graph in Figure 4. That graph shows essentially what we like to refer to as yield. And if I can use an agricultural analogy, farmers are interested I think in two things.

When they talk to their friend down the street, they want to talk about how many bushels they got per acre on their best field. But when they go to market, they want to know the total amount of grain they are taking to market because that is where their financial return is.

Well, in both the case of yield, in other words, what do our best do, we fall at the bottom of the heap.

In addition, when we take a look at the proportion, and that is captured in those black blurs in each of those graphs, the width of those blurs talk about the proportion of our population we are taking to that level. And again, we fall at the bottom of the distribution of countries.

This indicates that we have a very narrow and a very weak base in terms of absolute numbers to supply the need in the coming generations.

Similar results have been found in the national assessment literacy study. It shows that our students are ill-prepared to handle reaching technical document type data or quantitative information, information that deals with statistics or tables and graphs much as one would get in dealing in technical industry.

I think that the facts indicate in both mathematics and in literacy efforts that we have not adjusted our educational programs to emerging technology. I think that we must at all levels of education begin to provide equipment and support for classroom teachers to help them use technology effectively in their classroom and open access to that technology to all portions of our population. At present that access is opened only to the upper levels.

The students who are early school leavers in minority groups or who are heading to vocational or technical education are denied access, and they are the ones who are going to need that the soonest. People who continue in education have many opportunities to get that access.

I think these facts do not bode well for our competitive position either at the present or in the future. And as I mentioned, it is the changing demographics of our country, and what that says about access and what access says about that changing demographics that even compound that problem.

The problem of competitiveness is no more clear, I think, than in the area that I come from. Illinois State University is 30 miles from Peoria, Illinois. Caterpillar Tractor Company, as you may well know, has suffered tremendous losses in the international marketplace. We have large numbers of displaced workers in the community who are unable to move from one type of position on an assembly line or production work into low tech or even occupations aside from mechanical production because of their training.

This says that our efforts must be to broaden both the technical and literary backgrounds, ability to read and interpret to deal with statistical data of all students in our education programs, and give them that opportunity to make transfers and also to continue learning throughout their life.

That same type of displacement within the work force is also seen in agriculture which has been heavily impacted by international competition.

I think there are some goals that we need to address. And the first one is moving a greater proportion of our students through our education programs in mathematics. In doing that, I think we need to lessen the tracking that currently takes place.

One of the things that came forward in the international study was that we were the only major country that by the eighth grade level had four distinct tracks of students. We did very little in comparison with our very best students. And some of our students by the eighth grade level had been essentially warehoused to pencil and paper computation in an emerging age that is very technically oriented. Many of these students are heading towards being early leavers, or drop-outs. Others are not going to have the skills and the skills that our recent Chicago Board of Education studies showed were the critical filter for entrance to vocational or union programs, and that is the basic quantitative and literary skills that fall around mathematics, the ability to interpret data and to carry out measurement types of computations.

A second thing we need to do is broaden those programs beyond paper and pencil types of activities to include geometry, statistics, effective use of the hand calculator and effective use of software.

We need to focus on improving communication in quantitative areas. Students are unable both to speak and write dealing with technical matters. Much of their work is dealt with prose development.

And I think fourth, we have to continue that education far beyond our standard K-12 programs for all areas within our society.

There are not simple answers about how this can be achieved. The international mathematics study showed that it was not the fact that it was just time in class, nor was it the number of days the school year was or consisted of, or the percent of students retained. And in fact for me as a math teacher that was one of the most surprising facts is that we are one of the most selective countries international in the percent of students retained to twelfth grade mathematics. I had always felt that we were comparing our students against a very select group of students in other countries.

It turns out that we retain approximately 13 percent of our students. Japan retains 15 percent of their students to that level. So they are retaining equivalent or slightly broader spectrum of their student body.

Parental influence plays a very vital role. And I think that the actions that you take must take into account that you are not only dealing with learners today who are in the work place, but also providing influence that they will exert on their children and upon their children's children.

One of the strongest correlates of success, and especially in proportions of our society at risk, are the educational achievements of their parents. And I think that if we can bring parents in and in addition help those parents deal with their children, that is one of the most solid activities that we can undertake.

The third is increasing access in mathematics and science, and that basically would deal with moving blacks, hispanics and American indians into mathematics and science areas. We are woefully underrepresented from those populations.

I think it is achievable with targeted programs. We all know that we have had targeted programs focusing on the role of women in mathematics and we have seen the turn around there.

Likewise, we have seen the targeted programs of the 1960s in Chapter 1 areas where the actual legislation was much more prescriptive than it is today. And the national assessment program's results at that time showed that we had equivalently much larger gains.

And, lastly, I think we need to increase mathematics education leadership on the staff of both the Department of Education in the

Chapter 1 area and in addition in the science and engineering education directorate at the National Science Foundation.

We do not have representation in any sort of proportional way and yet it is a major priority I think to turning around our ability to compete.

I think there is a federal role and I think that you have recognized the importance of targeting areas, setting agendas and monitoring. I think your direction with competitiveness is correct. I think that your legislation, in reviewing it, is addressing some of the critical problems.

I hope that you will be able to define the goals, the paths and monitor the progress as we move from our low levels of achievement and low levels of achievement for large sections of our population as we move to avoid the drastic consequences of avoiding those issues as we have in the past.

Thank you.

[Prepared statement of John A. Dossey follows:]

PREPARED STATEMENT OF JOHN A. DOSSEY, PRESIDENT, NATIONAL COUNCIL OF TEACHERS OF MATHEMATICS, RESTON, VA

Mr. Chairman and members of the Committee on Education and Labor, I am John Dossey, President of the National Council of Teachers of Mathematics (NCTM) and a professor of mathematics at Illinois State University. The NCTM is a professional education association of over 65,000 members (classroom teachers, mathematics supervisors, and mathematics teacher educators) whose major interest is the improvement of mathematics education at the precollegiate level. I am here today to discuss how competitive American education is in comparison to other industrialized nations and steps which we might take to reverse the trends reported by current studies.

In recent weeks the newspapers and popular magazines have bombarded us with facts about the current levels of numeracy and literacy in American schools. The facts are far from comforting. Varied comparisons suggest that our students are achieving at rates considerably below those of comparable students in nations with which we must compete economically. Further, these studies show that our curricula have not kept time with the changes technology has brought to our society. Schools, administrators, and teachers are struggling to keep their curricula and learning environments related to the rapid changes taking place in our society. The degree to which we can support them in these efforts will, to a large measure, determine their success and, in turn, our nation's ability to meet its current economic and strategic challenges.

The data recently released from the Second International Mathematics Study (SIMS) and other international comparisons have once again questioned our nation's ability to compete. The outcomes from these studies indicate that our average and below-average students have considerably less contact with topics in geometry, measurement, and data analysis in their their school mathematics programs than their international peers. Large portions of their curricula continue to focus on paper-and-pencil drills over basic operrations. In addition, most of our students continue to be denied access to hand calculators as part of the learning process prior to college. The achievement levels (See Figure 1) resulting from these programs range from near the average level to far below the average level of achievement of their counterparts in classrooms in other industrialized countries. However, it is these students who are going to be staffing the design, engineering, production, and service industry positions, as well as assuming increasing responsibility for business leadership, as we move to the millennium.

In a like manner, the SIMS results suggest that our top secondary students are at best average when viewed in an international context (McKnight, 1987). Other studies suggest that many of these students are incapable of following written instructions or deciphering schedules (Kirsch and Jungeblut, 1986). The response our nation makes to these critical problems in the areas of numeracy and literacy may be the most important step we make in meeting the current challenges to our ability to compete in economic and strategic settings.

To meet these challenges, we must increase our commitment to achieving the following goals:

- to increase the proportion of students leaving secondary school prepared for entrance into technical careers or for further study in advanced mathematics or science;
- to widen the opportunities for continued study in mathematics, science, and technology from elementary school through adult education;

- to increase the emphasis on the development of communication skills, both written and verbal, in all levels of education; and
- to create avenues for life-long learning and retraining in the areas of general numeracy and literacy for all members of our society.

At present, our success in meeting these objectives is marginal at best. Current data, spanning the spectrum of schooling, show that we are falling short in achieving the first goal at present.

The findings reported at the recent Symposium on International Comparisons of Mathematics Education, held at the National Academy of Sciences, indicate that the gaps in both the quantitative and qualitative aspects of learning appear from the moment students enter schools (See Figure 2). Cross cultural studies of student achievement in mathematics show that United States students enter kindergarten on a par with their peers in other cultures, but the gap in achievement begins to widen immediately. By the end of the first grade level, U.S. students have fallen over one-half of a standard deviation behind their oriental counterparts. By the end of the fifth grade this gap has widened to a full standard deviation (Harnisch, Walberg, Tsai, Sato, & Fyans, 1985; Stevenson, Lee, & Stigler, 1986; and Stevenson, in press).

The SIMS results show that our very best secondary students, those taking advanced placement calculus, rank at the international median performance level (See Figure 3). The remaining students at the twelfth grade level perform at about the 25th percentile level internationally. A further comparison of the top one percent of United States twelfth grade mathematics students showed that their achievement performance was less than the performance of the top one percent of any of the other participating countries twelfth grade students (Miller & Linn, 1985).

If one considers the product of the number of students who enroll in mathematics with the achievement levels they attain, one gets a number which approximates the "yield" that accrues from our efforts in mathematics education. Figure 4 shows such comparisons for the study of advanced algebra in the twelfth grade curriculum. A comparison of the width of the bars in the graphs shows that the schools of British Columbia enroll a greater proportion of their students in advanced algebra than any of the other countries. England/Wales, on the other hand are the most selective in enrollment patterns. Japan, Sweden, and the United States educate about the same proportion of their twelfth grade students. The heights of the bars show the achievement levels attained. The product of the height and width of each bar then gives a measure of yield. This view shows that the overall proportion of our population having knowledge of topics in advanced algebra is quite low at the international level.

The shift in entrance requirements to the workforce brought about by technology and our shift to being an information based society have created commensurate demands for workers with increased levels of knowledge of mathematics. Occupational opportunities in this work market are often determined on the basis of an individual's knowledge of mathematics. This sorting of potential employees on the basis of technical/quantitative knowledge is nowhere more obvious than in the stagnant economy of the region of the country in which I reside. The large earthmoving and farming equipment industry has been dealt a crippling blow in the international market place. Displaced workers are struggling to shift from assembly line positions to positions in an emerging group of "high-tech" industries and a major new Japanese automobile plant. In many cases their lack of knowledge of mathematics and communication skills handicap these displaced workers' ability to compete effectively for new positions.

A recent study by the City of Chicago School Board's Mathematics Division found that mathematical knowledge was the critical filter for entrance into the skilled trades and related vocations (Strong, 1987). Trades and businesses have found that these skills are highly correlated with potential success on the job. These trades and businesses have also discovered that they are unable to provide the basic instruction in these areas as inexpensively and as effectively as the public schools.

The narrowing margin of profit over cost demands workers who are capable of employing basic facts, concepts, and skills in a wide variety of settings. In fact, the technological demand on the students in the noncollege bound group may even be greater than for workers coming from collegiate programs. The students moving to the work force directly from secondary school must confront the changing demands of the work place immediately. Hence, these students have *less* time to develop the requisite skills prior to entering the job market. Failure to meet these numeracy and technology prerequisites for gainful employment significantly decrease the student's opportunities for financial security or advancement (College Entrance Examination Board, 1984; Commission on Science, Engineering, and Public Policy, 1984).

Similar problems exist at the higher education levels in the production of individuals who are highly trained in mathematics. When one considers the outcomes of recent surveys showing a dwindling number of American students selecting mathematics as a major at the undergraduate level and a rapid drop in United States students pursuing a doctorate in the mathematical sciences, the seriousness of the situation becomes apparent. These estimates indicate that over the period from 1975 to present, the percent of students majoring in the mathematical sciences has dropped from near one and one-half percent to less than one-half of a percent of the college undergraduate population (Fey, Albers, & Fleming, 1981; Conference Board of the Mathematical Sciences, in press). Over the same period of time, the number of United States citizens receiving a Ph.D. in the mathematical sciences dropped from 722 to 386 students per year. In 1976, seventy-five percent of the total number of mathematics Ph.D.s awarded by colleges and universities in the United States went to American citizens. In 1986, this figure was only 51 percent of the total (Connors, 1986). The data at the elementary, secondary, and university levels all indicate that we are far from achieving the first of the above goals for mathematics education.

The continued lack of a sufficient supply of quantitatively trained people is not in our national interest. It will allow the continued erosion of our competitive position in both technological and information based industries. Our decreasing ability to respond is occuring at a time when other nations are adjusting their educational programs to support increased production (Wirszup, 1987). If we are to compete successfully in this economic arena, we must improve the present situation and look to develop even more efficient methods for the future.

These efforts will require programs which focus on improving student skills in each of the following areas:

- Reasoning and Problem Solving
    - -identify and formulate problems
    - -select appropriate solution strategies

  - reason and reach decisions in a logical fashion
  - test data for validity and reliability
  - plan for future occurances of same problem

- Reading
  - read and comprehend the English language in a variety of settings
  - note details and facts necessary for a given task
  - verify information and test it for consistency
  - interpret quantitative information presented in tables, charts, and graphs

- Writing
  - gather information needed for given communication
  - organize the information in a clear and concise fashion
  - apply accepted rules of syntax and grammar
  - provide complete information

- Mathematics
  - perform basic computations correctly and quickly
  - make appropriate use of calculators and computers
  - apply ratios and percents when needed
  - solve applied problems involving interest, ratios, and percents
  - interpret and apply information based on probability
  - apply basic geometry and measurement concepts and skills
  - read and interpret tables, charts, and graphs
  - solve simple algebraic equations and inequalities
  - estimate results and predict outcomes

Efforts to achieve such goals will have to involve increased expenditures for teacher retraining, curriculum development, and technological support for schools and industry. In addition, these efforts will have to provide for increased educational opportunities in the work place aimed at the fostering of skills such as those listed above. These efforts will require new initiatives both inside and outside of current educational programs in schools and industry.

The portions of this mandate falling within public schooling can be supported in part through the reauthorization of and extensions to the Education for Economic Security Act and Chapter 1 activities. However, the activities of the latter program are currently only serving 47 percent of the eligible children. In addition, Chapter 1 programs deal almost exclusively with reading and literacy goals. New initiatives must be undertaken within Chapter 1 programs to increase the amount of time, effort, and resources devoted to the attainment of parallel numeracy objectives.

In addition, greater attention needs to be devoted to the programs falling under the Job Training Partnership Act and the Vocational Education Act. Efforts must be made to see that the curricula offered through these programs is commensurate with the present demands of the work place. This may require a refocusing of the programs' major efforts on student attainment of the literacy and numeracy skills mentioned above, rather than focusing solely on specific job skills. It is workers with such knowledge who will be able to drive the American economy back into a leadership role in the international economic marketplace. We cannot fail to meet these educational based challenges by our international peers to our ability to compete.

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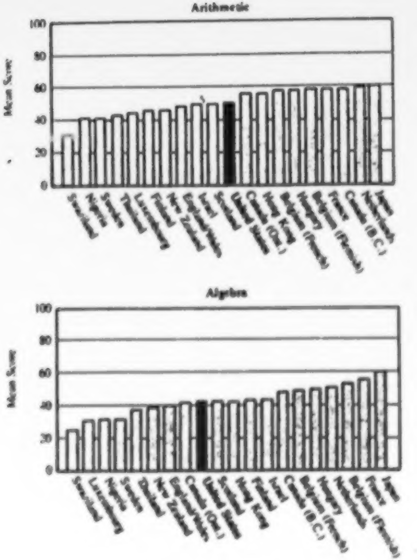
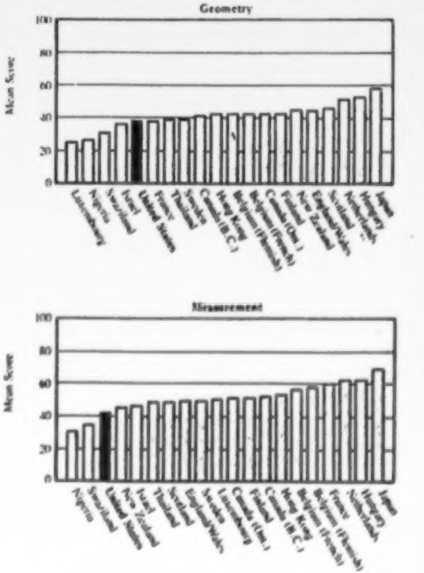


Eighth grade achievement scores in arithmetic and algebra for twenty countries show the U.S. to be in the middle group. Note, however, that countries in the middle range of achievement had very similar scores. Therefore, the ranking of those countries would be affected substantially by a change in score of only a few points.



Eighth grade achievement scores in geometry and measurement for twenty countries show the U.S. to be well below the international average, among the lowest fourth of participating countries in both topics. While many measurement test items involved knowledge of the metric system, many others did not. Performance on both types of items was disappointing.

Figure 1

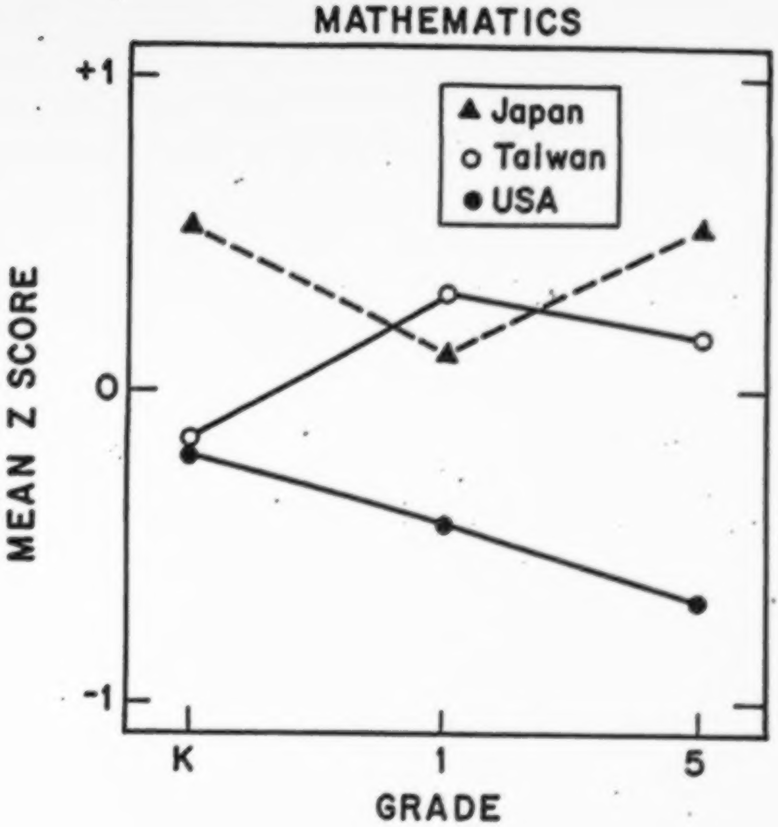
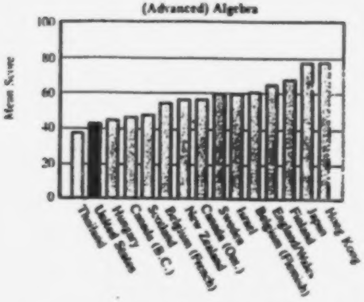
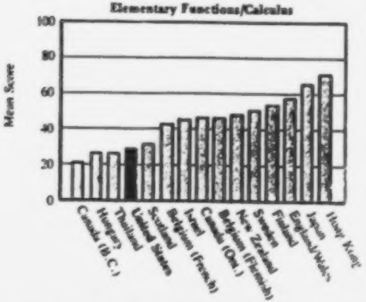
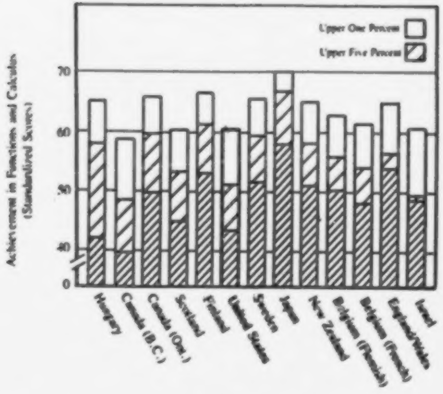


Figure 2



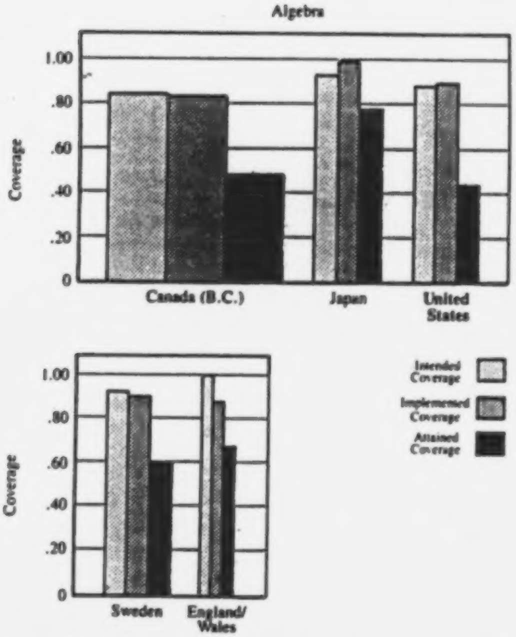


Population B (Twelfth Grade) achievement in algebra and elementary functions/calculus for fifteen countries shows the U.S. to score among the lowest fourth of participating countries. Much scientific and technical work in college and elsewhere, requires competence in these basic areas of mathematics.



How well the most able college preparatory mathematics students in each country achieve is shown here. The achievement of the top 1% and 5% of the students in each country as well as the average achievement for the country, are reported for functions and calculus. The most able Japanese mathematics students attained higher scores than their counterparts in other countries in both subject areas. The most able U.S. students scored the lowest of all of these countries in algebra and were among the lowest in calculus. Furthermore, as the graphs suggest, *average* Japanese students achieved higher than the top 5% of the U.S. students in college preparatory mathematics. (Countries are in decreasing order from left to right in terms of the proportion of students enrolled in advanced mathematics programs.)

Figure 3



Advanced topics in algebra are studied in the senior secondary school "mathematics specialist" classes in all countries in the Study. The above figure shows that for five countries, well over 80% of content of the algebra items on the international test was intended to be taught and about the same proportion was reported to be taught (implemented) by the classroom teachers in each country. Achievement in algebra (attained curriculum) was high in Japan and low in the United States. The width of the bars reflects the proportion of young people in each country that is enrolled in senior secondary school mathematics. Canada (British Columbia) has a high proportion (30%) while England and Wales enroll relatively few (6%). The proportions enrolled in the most advanced mathematics classes in Sweden, Japan and the United States are very similar – between 12% and 15%.

Figure 4

Chairman HAWKINS. Thank you, Professor Dossey.

The next witness is Mr. Forrest L. Morris. Mr. Morris.

STATEMENT OF FORREST L. MORRIS, EXECUTIVE DIRECTOR, MISSISSIPPI AUTHORITY FOR EDUCATIONAL TV

Mr. MORRIS. Thank you, Mr. Chairman.

I am Forrest L. Morris, Executive Director of Mississippi Authority for Educational Television. We operate state-wide networks in educational television, public radio, Radio Reading Service and have a statewide, backbone, microwave telecommunications system. I have in excess of 25 years experience in the educational telecommunications field. I have served on the board of directors of the Public Broadcasting Service, was chairman of the board for Southern Educational Communications Association, SECA, and have served in other capacities in the educational and telecommunications field. I am presently serving on the board of trustees of the National Association of Public Television Stations.

I appreciate very much the opportunity of meeting with the committee and to have input into H.R. 90. My colleagues and I would like to compliment Congressman Hawkins for introducing H.R. 90, Education for American Competitiveness. I have several comments which I would like to offer, primarily in the field of learning technology.

I will skip some comments that I have in the written statement about my opinion about defense and education. I think education is the most important thing this country has to do. I think it is the long range, the best thing we can do for our country is have top quality education, and I have delineated it in that long paragraph.

I will skip down to, in the interest of time, to public broadcasting and learning technologies.

Public broadcasting and learning technologies are vital cost-effective assets in meeting the myriad of educational goals of our nation.

Public broadcasting, or educational television as it is sometimes called, more than just over the air evening programs and children's programming. Educational television serves the full curriculum in classroom instruction, and encompasses college credit, adult learning, business and industry programs and much more.

Technologies telecommunications are cost-effective means of delivering specific educational material to the schools and to home learning situations. For your review, I have enclosed a paper on Public Broadcasting Educational Services. I hope you will have a chance to read it. We have sections like serving business and industry and other information from the Public Broadcast Organization itself. And I have also included a paper from the National Association of Public Television Stations, Office of New Technology Initiatives, which discusses case setups for new technology. There are many of them and this paper covers several of them in a succinct kind of way that kind of gives you an overview of what is going on.

I.T.V. Futures is what it is called, is a group of public television and educational instructional television professionals spent two years researching education by learning technologies. They prepared a comprehensive report which is available should the committee so desire.

The Southern Educational Communications Association, SECA, annually distributes nationally via satellite 86 series and 1200 hours of instructional television programs. The Kentucky Educational Television Network has funded, and is planning a second statewide educational channel via satellite, where every library, high school and college will have a satellite receiver station. The South Carolina Educational Television Network distributes four channels of instructional service on ITFS.

Many exciting and innovative things across the country are happening in educational via learning technologies. However, funding is far too little to meet the national need and adequately provide the effective, competitive economic position the entire country must have.

Most importantly, many deprived areas do not have available to them, or are not able to take advantage of these resources. To this group the pockets of progress are to no avail. These people need the things for math, for science, for language and the other things that are needed in the educational area.

Next I come to Mississippi ETV, one of the poorest states in the country. We have our share of illiterates, some 350,000 functional illiterates by estimate of the State Department of Education.

The reason we have ETV there was a study done of education and not to anybody in education's surprise, they found out, these learned professional experts, that nothing replaces a teacher, nothing. But we do not have enough good teachers in math and science and languages and all these things. So the study said the best most cost effective way to do it for Mississippi since we did not have the money for all the other ingredients was to do television. And that is what we have been doing and tried to do it to the best of our ability since the 1960s.

When Mississippi ETV earned the coveted George Foster Peabody Award, the citation read, "For enhancing the educational system for the state of Mississippi through the innovative use of television."

Today, with the broadcast of more than 100 classroom series in all subject areas, from computers to language arts, economic education and library skills, ETV is considered indispensable by Mississippi teachers at all grade levels. Mississippi ETV carries a full in-school instructional schedule, and I have enclosed in a packet a copy of that schedule, and also a copy of the report we do every year. We list every TV set in the state, every tape recorder in the state, every lesson, the number of children that use it, the number of teachers that use it, and it convinced the legislature that we were spending their money in a cost-effective way; we were not throwing it away. That is called accountability, and it is also in your report.

And incidentally, it has helped us with our legislature considerably, because they see where their money is going.

I mentioned that we have approximately 350,000 functionally illiterates in the state. And we are addressing that problem with a myriad of programs. One that we have just started is called Learn to Read. One of the problems if you cannot read is admitting to anybody that you cannot read. You are ashamed to admit it. You are ashamed to go to the services that I offer you. So we try a different tactic. We play for three days morning, noon and night a lesson in how to learn to read and then we repeat it on Saturdays so that somebody can work that into their schedule, and we are hoping that this new tactic will bring some of the citizens that cannot read to the fifth grade level. After which we have the GED. Kentucky and Mississippi ET went together and got a new ED, and you can get a high school equivalence by going on this television program and watching it and following through with the lessons with the test, et cetera.

And we have many more programs in this functionally illiterates area to try to bring people up as far as their motivation can bring them, and we are trying to devise new ways every day.

The ITV schedule is developed after a lengthy process of ascertainment within the educational community, through local schools and the State Department of Education. Mississippi's ETV's operations and dedication to education is typical of most state networks and many community stations. I might say most of the community stations. Over the air broadcast and other learning technologies are used in fulfilling the educational mission.

With increased use of learning technologies, much, much more is possible. However, local and state funds are inadequate to meet the need of rapidly expanding world technology.

If Americans are again to become competitive in the world economy, education is the key; and the presence of telecommunications learning technologies in American education, and a generation of experience in their uses, gives Americans worldwide advantages. America is unique in its universality of availability of telephone, electric service, television and radio, home computers, electronic recorders and cable and satellite distribution systems.

To the broadcast community, these and newer technologies for education are obvious and necessary, and are most cost effective means to reach our goals.

Proposed legislation before this committee can be of substantial help in utilizing the technologies for education which I have described. In particular, H.R. 90, the Education and Training for American Competitiveness Act of 1987, and the revisions of the Elementary and Secondary Education Act offer opportunities for which I would like to make some suggestions.

Education and training for American competitiveness: States should be encouraged possibly with special matching funds to extend their uses of telecommunications for literacy training, vocational training services, and education in mathematics, science and foreign languages. These last three, as you have heard, and we will hear again, are very serious problems.

Television has demonstrated its effectiveness in each of these areas somewhere in the nation. With expanded funds, these gains could be spread throughout the nation.

Post-secondary education is an area where television has been very effective. Its use should be encouraged in the administration of the programs funded by the legislation.

The proposed legislation's Educational Telecommunications chapter offers exceptional opportunities for educators to demonstrate new techniques and how working together consortially can achieve maximum benefits. This opportunity should be open to every sector of the nation to find the best projects available.

Television also has shown the capacity to assist in training for industrial competitiveness, and its use should be encouraged in the legislation.

Recommendations regarding changes in the present elementary and secondary education legislation. Great inequities exist for economically disadvantaged children in their access to these educational technologies—both in the equipment and the materials necessary to make best use, and in the familiarity with them of their teachers, administrators and parents. It is to overcome these inequities facing economically deprived children that these recommendations are made.

The Department of Education should be authorized a telecommunications technology fund to provide for nationwide productions, funds should go for local utilization support by a local television station or other coordination agency. We would recommend about 10 percent in that area.

In summary, local public television stations already have expertise and are heavily involved in bringing technology into the classroom, and they should be factored in as an existing, expandable resource. The Public Broadcast Service and the regional public broadcast organizations also make a major cost-effective contribution in bringing educational technology to users.

Desperately needed are more high quality instructional television programs at all levels of the curriculum. There are some outstanding successes going on in public television now, 3-2-1 Contacts, Square One Math and so forth, but we need many, many more of those because they do not meet all the needs of all the children in this country. All types of new learning technologies need to be brought to bear and made available to all areas of the nation, particularly to the more economically deprived areas and situations.

I have not made an attempt here to delineate a dollar amount, or to provide a complete scenario for implementation of a major national commitment to learning technologies. Without a financially significant base, however, the many educational advantages of learning technology will not happen on a nationwide basis, the visions and goals of H.R. 90, Educational Training for American Competitiveness Act of 1987 will suffer thereby.

It is my belief along with my colleagues that federal education funds could not be more productively utilized than in the learning technologies.

Thank you very much for the opportunity to appear before you. I am sure you have heard and will hear more about the educational needs in the country in all areas. I hope that I have been able to give you a small glimpse of what is now happening in educational learning technologies and to share with you the tremendous opportunity in educational technologies and the great excitement of my colleagues. I have not spoken to essential quality necessary and other important factors. However, I have tried to give you a sufficient overview.

Thank you very much for your courtesy.

[Prepared statement of Forrest L. Morris and related information follow:]

PREPARED STATEMENT OF FORREST L. MORRIS, EXECUTIVE DIRECTOR, MISSISSIPPI AUTHORITY FOR EDUCATIONAL TELEVISION

INTRODUCTION

I am Forrest L. Morris, Executive Director of Mississippi Authority for Educational Television. We operate statewide networks in educational television, public radio, Radio Reading Service and have a statewide, backbone, microwave telecommunications system. I have in excess of 25 years experience in the educational-telecommunications field. I have served on the Board of the Public Broadcasting Service (PBS), was Chairman of Board for Southern Educational Communications Association (SECA), and have served in other capacities in the educational and telecommunications field. I am presently serving on the Board of Trustees for the National Association of Public Television Stations (NAPTS).

COMMENTS

I appreciate very much the opportunity of meeting with the Committee and to have input into HR 90. My colleagues and I would like to compliment Congressman Hawkins for introducing HR 90, "Education For American Competitiveness". I have several comments which I would like to offer, primarily in the field of learning technology.

An educated, well-informed citizenry is one of the most valuable assets any country can have. It is the best long term, defensive weapon. Education is more important than any single weapon or defensive strategy. Adequately meeting education, defense and other urgent needs is not possible without a strong, competitive, national economy. Education, economic growth, technology, and a foreign competitive economic position are intertwined and interdependent. If education declines, technology declines, economic growth slows or stops, our economic competitive position deteriorates. To correct the declining, competitive, economic situation in which the USA now finds itself, many things need doing with nothing more important or urgent than educational improvement and availability. It is felt that education is the place to start and should be top priority. Progressive, cost-effective, easily distributable learning technology is the indispensable ingredient in providing education the key if Americans are to again become competitive in the world economy! Learning technology needs to be financed as a major partner to most effectively do the job and rapidly progress toward the goal.

PUBLIC BROADCASTING/LEARNING TECHNOLOGIES

Public broadcasting and learning technologies are vital cost-effective assets in meeting the myriad of educational goals of our nation.

Public broadcasting, or educational television as it is sometimes called, is more than just over the air evening programs and children's programming. Educational television serves the full curriculum in classroom instruction, and encompasses college credit, adult learning, and much more. Technologies-telecommunications are cost-effective means of delivering specific educational material to the schools and to home learning situations. For your review, I have enclosed a paper on Public Broadcasting Educational Services, and a paper from the National Association of Public Televison Stations' Office of New Technology Initiatives which discusses case setups for new technologies. ITV FUTURES - A group of public television and educational-instructional television professionals spent two years researching education by learning technologies. They prepared a comprehensive report which is available should the Committee desire. The Southern Educational Communications Association (SECA) annually distributes nationally via satellite 86 series and 1200 hours of instructional television programs. The Kentucky Educational Television Network has funded, and is planning a 2nd statewide educational channel via satellite, where every library, high school, and college will have a satellite-receiver station. The South Carolina Educational Television Network distributes four channels of instruction by Instructional Television Fixed Service (ITFS).

Many exciting and innovative things across the country are happening in education via learning technologies. However, funding is far too little to meet the national need and adequately provide the effective, competitive economic position the entire country must have. Most importantly, many deprived areas do not have available to them, or are not able to take advantage of these resources--to this group the pockets of progress are to no avail.

MISSISSIPPI ETV

When Mississippi ETV earned the coveted George Foster Peabody Award, the citation read: " for enhancing the educational system for the state of Mississippi through the innovative use of televison." Today, with the broadcast of more than 100 classroom series in all subject areas, from computers to language arts, economic education and library skills, ETV is considered indispensable by teachers at all grade levels. Mississippi ETV carries a full in-school instructional schedule (list attached), children's programs, college credit courses, etc.

During the 1986-1987 school year, in K-12, MAET broadcast 1174.45 hours of ITV programming (1,852 programs from 112 series) broken as follows: Computer Science, 2.17% -- Science, 20.12%--Mathematics, 14.94%--Reading, 12.64%-- Social Studies, 11.59%, Language Arts, 10.81%-- Literature, 7.91% -- Career, Consumer Education and Ecomonic Education, 5.94% -- Health, Physical Education and Safety, 5.19% -- Staff Development, 3.51% -- Art, 1.91% -- Foreign Language, 1.72% --Music, 1.55%.

The ITV schedule is developed after a lengthy process of ascertainment within the educational community, through local schools and the State Department of Education. Mississippi ETV's operations and dedication to education is typical of most state networks and many community stations. Over the air broadcast and other learning technologies are used in fulfilling the educational mission.

NEEDS

With increased use of learning technologies, much, much more is possible. However, local and state funds are inadequate to meet the needs of rapidly expanding world technology.

If Americans are to again become competitive in the world economy, education is the key; and the presence of telecommunications-learning technologies in American education, and a generation of experience in their uses, gives Americans world-wide advantages. America is unique in its universality of availability of telephone, electric service, television and radio, home computers, electronic recorders, and cable and satellite distribution systems. To the broadcast community, these and newer technologies for education are obvious and necessary, and are the most cost efficient means to meeting important education goals.

Proposed legislation before this Committee can be of substantial help in utilizing the technologies for education which I have described. In particular, H.R. 90, the Education and Training for American Competitiveness Act of 1987, and the revisions of the Elementary and Secondary Education Act offer opportunities for which I would like to make some suggestions.

Education and Training for American Competitiveness:

States should be encouraged possibly with special matching funds to extend their uses of telecommunications for literacy training, vocational training services, and education in mathematics, science and foreign languages. Television has demonstrated its effectiveness in each of these areas somewhere in the nation. With expanded funds, these gains could be spread throughout the nation.

Postsecondary education is an area where television has been very effective. Its use should be encouraged in the administration of the programs funded by the legislation.

The proposed legislation's "Educational Telecommunications" chapter offers exceptional opportunity for educators to demonstrate new techniques and how working together consortially can achieve maximum benefits. This opportunity should be open to every sector of the nation to find the best projects available.

Television also has shown the capacity to assist in training for industrial competitiveness, and its use should be encouraged in the legislation.

RECOMMENDATIONS REGARDING CHANGES IN THE PRESENT ELEMENTARY AND SECONDARY EDUCATION LEGISLATION

Great inequities exist for economically disadvantaged children in their access to these educational technologies--both in the equipment and materials necessary to make their best use, and in the familiarity with them, of their teachers, administrators and parents. It is to overcome these inequities facing ecnomically deprived children that these recommendations are made.

Chapter 1.

A percentage (%) of each district's funds should be allocated to telecommunications-technologies equipment, materials and local support services.

School districts may participate in consortial arrangements with other districts, states or educational agencies in pursuit of improved access by disadvantaged students to educational telecommunications technologies.

A percentage of matching funds of the district's regular Chapter I allocation may be used for technologies on behalf of a special category of "at risk" students.

. Funds should be made available to match state and local funds to train teachers and educational administrators in telecommunications technology practices.

Chapter 2.

The Department of Education should be authorized a telecommunications technology fund to provide for major nationwide productions of curriculum materials aimed at disadvantaged students; 10% of project funds would go for local utilization support by local public television station or other coordinating agencies.

SUMMARY

Local Public Television stations already have expertise and are heavily involved in bringing technology into the classroom, and they should be factored in as an existing , expandable resource. The Public Broadcasting Service and regional public broadcast organizations also make a major cost-effective contribution in bringing educational technology to users.

Desperately needed are more high quality instructional television programs at all levels in all curriculum areas. All types of new learning technologies need to be brought to bear and made available to all areas of the nation, particularly to the more economically deprived areas and situations.

No attempt has been made here to delineate a dollar amount, or to provide a complete scenario for the implementation of a major national commitment to learning technologies. Without a financially significant share, however, the many educational advantages of learning technology will not happen on a national basis, the vision and goals of HR 90 "Education Training for American Competitiveness Act of 1987" will suffer thereby.

It is my belief along with my colleagues that federal educational funds could not be more productively utilized than in learning technologies.

Thank you very much for the opportunity to appear before you. I am sure you have heard and will hear about the great educational needs of the country all across the entire spectrum of education. I hope I have been able to give you a small glimpse of what is now happening in educational learning technologies, and to share with you the tremendous opportunity in educational technologies, and the great excitement of my colleagues. I have not spoken to essential quality necessary and many other important factors, however, I have tried to give you a sufficient overview. Thank you for your courtesy.

A NEW TELEVISION SERIES ABOUT MATHEMATICS FROM CHILDREN'S TELEVISION WORKSHOP

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For almost 20 years, Children's Television Workshop (CTW) has created television series—SESAME STREET, THE ELECTRIC COMPANY, and 3-2-1 CONTACT—that deliver educational messages to children in an appealing and entertaining manner. With its new series, SQUARE ONE TV, CTW uses the same successful approach to address today's crisis in mathematics education.

SQUARE ONE TV is a lively, energetic, funny and informative series designed to take the mystery out of mathematics and encourage the nation's 8 to 12-year-olds to become interested in the subject and see the critical role it plays in everyday life. As with all CTW programs, the design of SQUARE ONE TV is the product of a careful collaboration of producers, researchers, academics and, of course, children.

SQUARE ONE TV's 75 half-hour shows will be broadcast Mondays through Fridays on the nation's close to 300 PBS stations beginning January 26, 1987.

The series is funded by the National Science Foundation, the U.S. Department of Education, the Corporation for Public Broadcasting, The Andrew W. Mellon Foundation, the Carnegie Corporation of New York and the IBM Corporation, the series' sole corporate underwriter.

TELEVISION AND THE MATHEMATICS CRISIS

We live in a society where the need to understand and use mathematics is growing every day. Technology is the central building block of modern industrial and scientific innovation. A technology based economy offers rewards and opportunity to those who are able to master its complexities—and sharply limited opportunity to those who do not.

There is a crisis in mathematics education in this country. That crisis is well understood by parents, teachers and the experts, who point out that two thirds of all students have taken only two years of mathematics by the end of high school; that 75% of 1980's high school graduates were unqualified to take college level mathematics courses; and that there's a steady decline in the number of mathematics teachers being trained in our country.

Most children enjoy arithmetic through about the third grade. But when formal instruction in mathematics is introduced in middle schools, many find it boring, and only take mathematics courses that are required by local schools. What's more, they perceive of mathematics only as an academic subject, with little relevance to real life. Most children think of mathematics as a homework drill, and believe that its usefulness ends there.

Whether or not we provide children with an adequate foundation in mathematics will affect their lives as individual citizens and our nation's ability to compete in the international marketplace. When the children in SQUARE ONE TV's target age range are grown and looking for jobs, many are likely to qualify only for lower level positions unless they have mastered a certain level of mathematics.

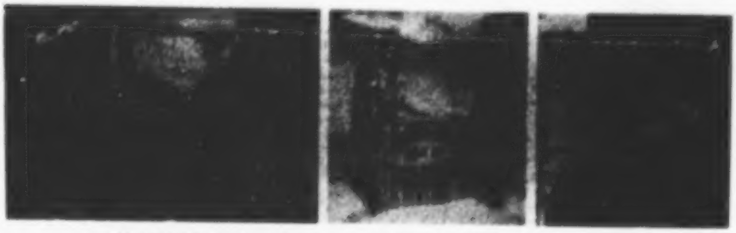
SQUARE ONE TV represents a national effort to help address the crisis in mathematics education. Television alone cannot improve mathematics education, but it can supplement and complement classroom instruction, and serve as a catalyst for families, schools and community groups to take action to help our children learn this basic subject matter.

Our educational series, SESAME STREET, THE ELECTRIC COMPANY and 3-2-1 CONTACT, demonstrate that high quality educational television offers a practical, cost-effective way to attract children to a new opportunity to learn at home, as well as to supplement and reinforce classroom teaching. Our experience also shows that educational television is a bargain—about a penny per program for each viewer.

Our children are the nation's most precious natural resource. They deserve—but too often don't get—the best educational support we can provide.

SQUARE ONE TV represents one specific step on a national level to encourage children to learn mathematics—a step that is accessible to all children, rich or poor, girls as well as boys.

Joan Ganz Cooney
President
Children's Television Workshop



SQUARE ONE TV's mathematical messages are transmitted by many means. Among them—parodies of popular television commercials, celebrity guest appearances and man in the street interviews.

THE SHOW

SQUARE ONE TV offers a broad and entertaining exposure to a wide spectrum of mathematical topics. By using the most up-to-date television production techniques and mixing these with a large dose of humor, SQUARE ONE TV will attract a large audience of children who voluntarily tune in and stay to learn.

The series has three major goals: to promote a greater interest and enthusiasm for mathematics among the nation's 8 to 12-year-olds; to encourage children to use mathematics to solve problems they encounter every day; and to introduce important mathematical topics.

The mathematics topics addressed by the show include numbers and counting; arithmetic; measurement; graphic representation; probability and statistics; geometry; and combinatorics.

The design of SQUARE ONE TV is based on the premise that children are highly literate about television; and that television literacy can be put to work to help encourage them to become literate in math. Therefore SQUARE ONE TV parodies many television formats children know and enjoy: game shows, sports events, music videos, mini-series, soap operas, detective dramas, commercials and newscasts.

The series' seven young actors function as a repertory company, and each plays a number of roles in a variety of segments in each magazine format program. On any given day, the program's actors might portray characters ranging from 1950's comedians to the intergalactic visitors in a post-modern music video.

The show's young viewers will see math lessons used by such varied personalities as a fictitious family of high-living Texans in "Callous," or Sugar Ray Leonard, whose efforts to weigh an energetic puppy result in an unforgettable problem-solving lesson.

A daily, continuing detective drama, "Mathnet," features a second company of actors who use mathematics and problem-solving techniques to unravel solutions to challenging crimes involving theft, deception and artifice.

Key to SQUARE ONE TV's success in achieving voluntary viewing at home is its humor and irreverence. The series is good television, designed to make even the most television-savvy youngsters enthusiastic about mathematics.

L.A. is hot and smoggy and it can get pretty sticky when you're on the math beat. Just ask Sergeant Kate Monday. She knows. Her partner Detective George Frankly knows, too. They know how hard it is to keep track of equations and fractions and angles. They have to keep track of all the angles because they're Mathnet, a crack unit of the L.A.P.D. that solves problems. Math problems. All kinds of math problems.

Starting in January, "Mathnet" can be seen five days a week on SQUARE ONE TV. Here's an example of one of their cases:

It's Monday. A valuable baseball is missing. A baseball with Babe Ruth's signature. Monday and Frankly take the case. They determine that the ball was slammed out of the sandlot by an 11-year old girl. Close examination of left field reveals a billboard with a fresh baseball-size dent. Back at headquarters, Monday and Frankly map out the ball field and draw the angles. They determine that the baseball landed on the front porch of a nearby house. There's only one problem. The house is missing. On Tuesday, Sergeant Kate Monday and Detective George Frankly will try to find the baseball—even if they have to find the house to do it.

Smiling Al, owner of the fictitious Mathematics R Us retail chain, introduces mathematical concepts on SQUARE ONE TV.

RESEARCH

When Children's Television Workshop's producers set out to create a television series for children, their challenge is two fold: to reach them and to teach them. To that end, they engage children in the process long before the series finds its way to the air. Children in the show's target audience age range have been important members of the research team for all Workshop productions since SESAME STREET was developed almost twenty years ago. With SQUARE ONE TV, CTW continues that tradition.

More than 3,500 children who represent the country's many ethnic and socioeconomic groups and who live in places as diverse as Boston and Beverly, Mass.; Denver; Dallas; Los Angeles; The Bronx, Brooklyn and Oceanside, N.Y.; and Wallace, N.C. participated in the research.

CTW's researchers devoted six months to assessing the needs of their young viewers before they took their questions to the target audience. During the initial development phase of SQUARE ONE TV, researchers looked at mathematics education in elementary schools around the country and asked teachers how a television series could help. They analyzed student performance statistics, and studied currently available math curriculum materials to assure that the forthcoming program would complement classroom teaching.

Before series production began, five test shows were produced and screened by their most critical audience—children, to determine whether they liked what they saw. Equally important, did they understand what was presented in the program?

CTW's researchers used a variety of techniques to find out. To determine what prior knowledge children had of different mathematical concepts, they were pretested before the material was presented to them. After they had seen test programs, they were retested to see how much they had understood.

To determine whether youngsters understood the material in the test shows, interviewers showed them individual segments and then asked them to narrate the segments as the tape was played back without its sound track.

With the aid of a computerized program analyzer, a portable device developed for CTW that permits up to 40 children at a time to judge a television program by pressing individual buttons whenever they are interested or bored by the show, youngsters indicated their moment-by-moment reaction to the program.

Researchers showed test programs to groups of third, fourth, fifth and sixth graders, and asked them to complete questionnaires indicating what they liked best about the program, and what they liked least.

In small group interviews, these children then told researchers why they liked or disliked certain segments.

Five complete test shows were brought to children in schools around the country. Researchers reported the following findings:

8 to 12-year-olds appreciate dramatic action and enjoy watching characters try to solve mysteries;

children enjoy physical comedy and simple verbal play;

their comprehension of plots is very good;

children demonstrated learning gains on specific content featured in programs, especially where they had some prior knowledge of the topics presented;

children enjoy a wide variety of television formats;

numerous segments, including game shows and magic tricks, elicited participation from children;

in general, they appreciate SQUARE ONE TV's depiciton of mathematics and problem solving.

Armed with this information, and with the test groups' responses to the shows, the producers set to refining the format and content of the series.

CTW researchers talk with youngsters in the series' target audience age range to elicit their television viewing preferences.

The show's music videos are as elaborate as any on television. But their messages—all mathematical—set them apart.

TALKING WITH SQUARE ONE TV'S ADVISORS

athematicians and mathematics educators work with CTW to ensure that the concepts taught on SQUARE ONE TV are sound, worthwhile and destined to accomplish the goals of the new math series. Three members of the advisory board explained why they became involved in the project, what they see as its purposes and how they think it will do the job of enriching mathematics education.

PETER HILTON, Distinguished Professor of Mathematics at the State University of New York at Binghamton, has written 350 research articles and published 15 books. He has written, with Jean Pedersen, a book on overcoming math avoidance, *Fear No More*. Professor Hilton has held the post of Chairman of the United States Commission on Mathematics Instruction, Secretary of the International Commission on Math Instruction, Chairman of the National Research Council Committee on Applied Mathematics, and Vice President of the Mathematical Association of America.

HENRY POLLAK was with Bell Laboratories for 32 years, where he was Director of Mathematics and Statistics Research. At Bell Communications Research, the laboratory for the seven regional telephone companies, he was Assistant Vice President for Mathematical, Communications and Computer Sciences Research. He has written more than 40 technical papers. Currently, Dr. Pollak is devoting most of his time to improving the condition of mathematics education. He has served on a dozen committees and boards concerned with math and science education, has served as President of the Mathematical Association of America, is a member of the National Science Foundation Advisory Committee on Science and Engineering Education, and was a member of the School Mathematics Study Group Advisory Panel and of the Executive Committee of the International Commission on Mathematics Instruction.

YOLANDA RODRIGUEZ is a sixth, seventh and eighth grade mathematics teacher at the Agassiz School, a public school in Cambridge, Massachusetts. She has taught math in grades 1 through 8 for thirteen years. She holds an MA in teaching, specializing in bi-lingual primary education and is an M.Ed. candidate in microcomputers in education at Lesley College. Ms. Rodriguez is a member of the National Council of Teachers of Mathematics, a participant in the Regional Mathematics Network at Harvard University, developing a middle school curriculum on the use of math in different context areas, and works with the Educational Technology Center at Harvard University Graduate School of Education.

STEPHEN S. WILLOUGHBY has taught all levels of mathematics from first grade through graduate school and has served as professor of mathematics education and professor of mathematics at the University of Wisconsin (Madison) and at New York University where he now teaches and is Chairman of the Department of Mathematics, Science and Statistics Education. He is a past president of the National Council of Teachers of Mathematics and a member of the Executive Board of the Council of Scientific Society Presidents. He has published more than 100 articles and books on mathematics and mathematics education, and is senior author of the innovative K-8 mathematics series, *Real Math*, published in 1985 by Open Court Publishing Company.

Why is there a need for a children's television math series?

PETER HILTON: Principally, to overcome the attitude that math is an unpleasant subject to be avoided. It is probably the most important subject in the curriculum; people cannot function well in society without the ability to function well in math.

HENRY POLLAK: The proportion of our population with the basic understanding of mathematics necessary to function in day-to-day life is incredibly small. A recent study found, for instance, that only about 20% of the population could figure out how to use a railroad timetable.

YOLANDA RODRIGUEZ: SQUARE ONE TV can bring math to life and—most important—present it in a non-threatening, non-testing way. Its high entertainment value is terrific not just for bright kids, but for the kids who spend all day in school thinking that they are failures, that they can't learn. Because they can see, enjoy and understand.

STEPHEN WILLOUGHBY: Today's high school graduates are no better in math than those of twenty years ago. And our increasingly technological society requires better math skills and understanding. Also, the world is more complex than ever. I think the serious problems of pollution, war and peace, and political and social injustice can be better understood and better solved with the help of mathematics. A society of people who can think quantitatively can better solve these problems.

Why TV? Can't it all be done in the classroom?

YR: In the typical classroom where I teach, 25 kids meet for 45 minutes with one teacher. The math is compartmentalized, separated from their other studies and from the rest of their lives. And their span of abilities can range from third grade level to high school. Entertainment helps them learn. If nothing else, the program will open children's minds to dealing with math—with problem solving, with an awareness that math is a useful thing to know. If it makes kids feel good about math and makes mathematical concepts understandable, they'll start to think about it positively. And then more advanced concepts will come more easily and more naturally.

PH: Math is perceived to be an unpleasant subject, but television makes it attractive and fun. Moreover, television has the capability of showing graphs, charts and spatial relationships that are very difficult for a teacher to show.

SW: Kids and adults use mathematical reasoning outside of school all the time—while claiming to hate math. The beauty of SQUARE ONE TV is that it shows ordinary people using math and mathematical reasoning. It's a kind of vicarious hands-on learning experience. Teachers can't take a class to a clothing store to show them how math comes into play . . . but television can.

HP: Some of the situations presented on the show to demonstrate how math is involved in everyday life are patently funny. But in other instances, particularly in the detective segment, "Mathnet," math is also shown to be eminently practical. Knowledge of angles and reflection, for instance, is used to solve a mystery.

PH: The program also introduces topics which don't appear in the standard third through sixth grade curriculum: things like probability, statistics and geometric ideas. So we enrich the curriculum.

How do you keep from going over the heads of third graders while holding the attention of sixth graders?

PH: By making the program very attractive to the senses and intellectually stimulating. It's not orthodox material that follows a study guide. It won't present more than a third grader can handle, but it will show all the children that math is everywhere, not just in a contrived situation. And it will show that the ideas of mathematics are natural, not strange and peculiar to themselves.

HP: Many of the subjects on SQUARE ONE TV are not in either the third or the sixth grade curriculum—but they're accessible to this age group. Schools do a tremendous amount of review and repetition especially at the start of the school year, and kids who come to school in September full of excitement and anticipation become bored. This program—and the concepts it introduces—will be fun. We hope the idea that math is enjoyable will carry over to the classroom.

YB: Kids will be entertained and they will get as much math out of it as they are able to get. With no tests and no prospect of failure, they'll enjoy it all the more. The subjects they'll be exposed to, they get anyway in school, but without knowing it, or understanding their usefulness. For instance, they may know how to multiply fractions, but for the life of them, they don't know why. SQUARE ONE TV will give them a reason, and they'll get more understanding than they get from learning by rote. Because the show is entertaining, the kids who already know the material won't be turned off; it's too much fun.

How will teachers use the show?

SW: We don't expect teachers to use the series every day in school. It's designed to supplement and complement what goes on in the classroom and reinforce the efforts of the teachers. They can use a specific program or part of a program to motivate the class or to explain a concept that's being discussed. CTW encourages teachers to tape the program for classroom use. But teachers will assign the show as homework as well.

YB: I'll try to have it taped each day. I'll use the shows as an introduction, as a back-up and for reinforcement. Many of my sixth, seventh and eighth graders are in a face-saving situation; they never grasped the material first time around, and I can't suggest they go back to third grade manipulatives. In a way this program will allow me to do that. Also, the students can generalize from the series, do problem solving based on it, and even write their own scripts. And I'll definitely recommend home viewing.

Do you hope to see more children become mathematicians or scientists as a result of SQUARE ONE TV?

HP: The goal is to create more favorable attitudes and more pleasant experiences with math, not to create more mathematicians and computer scientists. The series will work towards making kids more intelligent citizens. And it will make increased knowledge of math part of our overall culture.

SW: Students who enter college without sufficient math will be eliminated from choosing about 70% of the majors. But if they learn more math at earlier ages, they'll have the option of going into a wider variety of occupations.

YB: I think the show can present children with options. This is especially important for girls, who have traditionally been steered away from math and, therefore, from careers which require math skills. This series can show role models succeeding in math.

PH: Job opportunities will be enormously enhanced. The computer provides job opportunities only to those who understand its logic and what it does. But what we're educating children for is not so much a technological society as a changing society. Technology will be changing very rapidly and specific skills are of ephemeral value. What's of real value is the ability to respond to change.

What were your expectations when you were first asked to become involved in the project—and what do you think now about SQUARE ONE TV?

HP: Well, I thought it would be horrible, that it wouldn't be possible to handle math education in this way, that it would be an uphill battle and that the math would be all wrong. I was wrong. The people at CTW are real pros, the team was excellent and throughout the planning and production nobody came near to saying, "let's tear this up and start over."

SW: When I first learned of the project, my reaction was that math is not a spectator sport, that it requires deep involvement. And television seemed antithetical to that. I joined the Board of Advisors to influence the Workshop and try to make a viewer-involved program. CTW has used its abilities to involve the viewer.

YB: As an educator, it's the most exciting project I've been involved in. My first reaction was that the series would be a useful tool for teachers, parents and children. It would be a way to let kids visualize concepts we can't show them on blackboards, concepts that come clear on the screen, because TV has the wonderful ability to show kids what we only talk about.

PH: When I was asked to become involved in this project I immediately thought this would be an excellent way to make an enormous impact across the board on attitudes towards math, cutting through the bureaucracy and red tape of making changes in curriculum and in making a breakthrough toward building a mathematically literate society in this country. I suspect it might succeed.

SQUARE ONE TV's Larry, Superguy, and [illegible]

SQUARE ONE TV MATHEMATICS ADVISORS

Dr. Gerald S. lesser, Harvard University
Chairman, CTW Board of Advisors

Dr. Sadie Bragg, C.U.N.Y.

Ms. Marilyn Burns, Marilyn Burns Education Assoc., Sausalito, CA

Dr. Robert Davis, University of Illinois

Dr. Richard Griego, University of New Mexico

Mr. Wayne Godwin, WKNO, Memphis

Dr. Peter Hilton, S.U.N.Y. Binghamton

Dr. Magdalene lampert, Michigan State University

Dr. Katherine Merseth, Harvard University

Dr. Henry Pollak, Bell Communications Research (Retired)

Ms. Yolanda Rodriguez, Agassiz School, Cambridge, MA

Dr. Elizabeth Stage, University of California, Berkeley

Dr. Harold Stevenson, University of Michigan

Dr. Zalman Usiskin, University of Chicago

Ms. Nancy Varner, Detroit Public Schools

Dr. William Walton, Science Museum of Virginia

Dr. Charles Whitney, Harvard University

Dr. Stephen Willoughby, New York University

CHILDREN'S
TELEVISION
WORKSHOP

SQUARE ONE TV is a trademark and service mark of Children's Television Workshop.

PUBLIC BROADCASTING EDUCATIONAL SERVICES

Today, the United States sees its leadership in world trade, product production and education seriously eroding. America has fallen from its position as the most literate and most competitive country in the world to one that is fourth in the world in literacy and 81st in the world in economic growth. Our schools suffer from a general shortage of teachers and a specific, critical shortage of adequately trained science and mathematics teachers. Colleges and universities complain about the level of academic preparation of students entering higher education, and business and industry face continuing problems in the training and retraining of workers in a rapidly changing and increasingly technological society.

The irony is that the United States has never been in a better position to address these problems, yet has failed to do so effectively. During the past ten years, the United States has witnessed an astonishing development and proliferation of telecommunications technologies. Communications satellites are used not only by PBS and other television networks and business and industry to deliver video, voice and data transmissions, but by two million homes which now have "backyard satellite dishes" to receive direct satellite broadcasts of entertainment and educational programming. Cable television now reaches over 50% of all homes with a television set in the United States. Home penetration of videocassette recorders is now over 50% and is predicted to be over 90% within the next five years. Personal computers are commonplace both in the home and in the workplace, and fiber optics, modular telephones, microwave technologies, videodisc, interactive compact disc and other technologies are expanding at a rapid rate. As a result, we can now deliver the highest quality education and information to all our citizens, whether rural or urban, rich or poor, at home or in the workplace. Yet despite the viability of these technologies to make giant strides in our drive to educational excellence and equity, our nation has not fully employed these resources on behalf of education and training.

Public television is perfectly positioned to use these technologies to help elementary, secondary and post-secondary education regain their levels of excellence and to assist business and industry in regaining its competitive edge. In 1979, the Public Broadcasting Service became the first broadcast system in the world to utilize satellite technology to interconnect stations nationwide. Satellites provided multi-channel capabilities to 314 stations and, thus, allowed a significant expansion of the number of program services that could be provided simultaneously. As a result, public television refocused its energy on program services in support of education in this nation.

A History of Service To Education

Since the first station went on the air in 1953, KUHT-TV, Houston, Texas, educational television has provided services to elementary/secondary education. While the lack of adequate funds has been chronic since the beginning, public television has made significant progress during the past five years in upgrading its elementary/secondary services. The Southern Educational Communications Association (SECA), on behalf of public television stations nationwide, distributes over 1000 hours of instructional television programming in its National Instructional Satellite Schedule, and these programs are used by over 18 million elementary and secondary students each year. Three years ago, the Pacific Mountain Network (PMN) initiated an annual gathering of instructional television professionals to screen new programs and address common problems. The Central Educational Network (CEN) presents via satellite an annual preview of the best new instructional television programs available. The Corporation for Public Broadcasting (CPB) has funded a number of new instructional series each year, and the Public Broadcasting Service (PBS) has coordinated the distribution of those programs and served as an information clearinghouse for the instructional television professionals.

In addition, PBS has fostered and encouraged the development of timely and important programming for classroom use. Teleconference projects such as the "Model United Nations" introduce students to the major issues and players affecting the world today. A new project involving students in the 1988 Presidential election will bring together major national education organizations and the instructional television system. This partnership will use technology to increase the knowledge and appreciation of the American democratic process among those who will be our future leaders.

Three years ago, CPB convened a distinguished group of educators and broadcasters, called the ITV Futures Group, to examine public television's current service to elementary/secondary schools and to make recommendations for the future. The ITV Futures Group found that while the quality of public television's instructional programming and services had improved dramatically over the years, present services had to be expanded and enhanced if they are to have significant impact on the quality of education in the United States. The Futures Group recommended that a number of major new initiatives be developed by public television to provide essential, fundamental services for elementary/secondary education and that PBS take the responsibility of developing short and long range plans for the creation and implementation of those services. As a result, CPB has contracted with PBS to follow the recommendations of the ITV Futures Group.

Serving Elementary and Secondary Schools Nationwide

During the same period of the Futures Group study, a number of elementary/secondary support initiatives were already in planning. PBS was designing PBS Ed/Sat, a new service that could deliver teacher training and retraining, science and math education, English as a second language, career counseling, citizenship, global perspectives, basic skills, special live teleconferences, literacy programming and information services directly to the schools via direct broadcast satellite. This project expects to launch a demonstration pilot in 1987. CEN and the Maryland Center for Public Broadcasting were creating the Software Communication Service (SCS) that would multiplex computer software and data base materials through local public television stations to elementary/seondary schools. WNED, Buffalo, New York, and WITF, Harrisburg, Pennsylvania, were successfully testing the systematic downloading of instructional television programming via broadcast into videocassette systems programmed to record automatically blocks of instructional progamming during the 12:00 midnight to 6:00 a.m. hours, thus facilitating flexible use of programming by schools and making available valuable broadcast time during the day for stations. WNET, New York, and WVIZ, Cleveland, were developing new computer linkages between public television and schools to provide information about video and computer programs and their applicability to specific curricula needs.

Serving Higher Education

Public television has also developed new services in support of higher education. In 1981, PBS launched the PBS Adult Learning Service (ALS). PBS ALS distributes television courses to public television stations, which work in partnership with local colleges to determine which courses they will offer, to schedule the time of broadcast and to promote the courses to potential students. Colleges assign an instructor to oversee the instructional process and determine how many college credits will be awarded for completion of the television course. Television courses generally consist of video programs, text books, teacher and student guides and other supplementary materials and are produced by public television stations, colleges and universities and independent producers. A major boost was given to the adult learning initiative in 1981 with a grant from the Annenberg School of Communications, University of Pennsylvania, of $10 million a year for fifteen years to CPB for the creation of audio and video programming for use by higher education. During the past five and one half years, television courses distributed by the ALS, such as THE BRAIN, CONGRESS: WE THE PEOPLE, HERITAGE: CIVILIZATION AND THE JEWS, THE CONSTITUTION: THAT DELICATE BALANCE, THE BUSINESS OF MANAGEMENT, THE NEW LITERACY, AMERICA: THE SECOND CENTURY, and EYES ON THE PRIZE, have enrolled over 600,000 students in over 1200 colleges and univerisities throughout the nation. In the 1986-1987 academic year alone, enrollments in PBS ALS distributed television courses is expected to exceed 180,000 students.

PBS also provides non-credit programs and services for adult learners, including the educationally disadvantaged. In 1986, in cooperation with the American Broadcasting Company (ABC), PBS initiated Project Literacy United States (PLUS), an awareness campaign about adult illiteracy. Through an energetic outreach effort, centered at WQED, Pittsburgh, some 600 local community action coalitions were organized to recruit, train and use volunteers and to teach adults basic skills. This same year, PBS distributed the second Kentucky Education Television GED series, which prepares high school drop-outs to pass a high school General Education Dipoloma. PLUS 2 is scheduled to continue these successful efforts in 1987-88.

Serving Business and Industry

In January 1987, public television implemented the newest of its educational services, the PBS National Narrowcast Service (NNS). The NNS is designed to deliver continuing education, professional training and retraining, and career enhancement programming directly to the workplace via satellite and microwave technologies. The NNS provides business and industry with some of the tools they need to remain competitive in the years ahead. Designed for employees at all levels, NNS includes eight program tracks, and each includes five to ten hours of programming each month in the following areas: Management and Supervision; Sales and Marketing; Computer Literacy and Applications; Effective Communications; Technical Skills; live teleconferences on timely topics; and special programming for accountants and the legal profession.

What Do These Services Cost?

Public television's investment in the development and implementation of these educational services over the past five years is conservatively estimated at $75 to $100 million, and that estimate does not include local public television stations' yearly operational expenses. During the next five years, public television will be continuing and enhancing its current education efforts and developing new educational services. The success of these initiatives will, of course, depend upon our aggregating adequate dollars to fund these efforts, but we are confident that with collaborative efforts among education, the corporate and foundation communities and public television, we will succeed. In the next five years, it will take an additional $45 to $50 million per year to maintain our current level of service, to take better advantage of our technological and educational opportunities and to continue the planning, implementation and operation of new educational services. Public television and related technologies cannot alone solve the nation's growing problems in educational excellence and equity and in industrial competitiveness; however, they can make substantial contributions to the educational and economic progress of the nation if the resources are available to develop and maintain systems, to provide utilization materials and training and to produce the needed courses, programs and services.

Public Broadcasting Service
Washington, D.C.

February 13, 1987

Chairman HAWKINS. Thank you very much, Mr. Morris.

The next witness is Dr. Howard Swearer, President of Brown University.

STATEMENT OF DR. HOWARD SWEARER, PRESIDENT, BROWN UNIVERSITY

Mr. SWEARER. Mr. Chairman and members of the Committee, my name is Howard Swearer, and I am the President of Brown University. I must apologize that my written testimony is not before you now. I brought it with me from Providence this morning and the plane was a little late and it is being duplicated and it will probably arrive as I talk.

I am grateful for the opportunity to support the goals of H.R. 90. In particular, I want to urge you to support new programs and give attention to scholarship and advanced graduate training programs in areas of national need.

I am going to talk briefly and rather informally because most of the content is in the written testimony.

I think it is no secret that the United States is entering a period of very serious economic vulnerability. The storm signs are already visible. Over the last six years, we have built up federal deficits of a billion dollars—a trillion dollars. We have doubled the national debt. We now have a net debtor status of $250 billion. We are the world's largest debtor.

Our share of international trade from 1960 to 1984 dropped by about a third of the export share internationally. We have seen foreign competition cut into our traditional industries of steel and automobiles over the last 20 years. But in the last several years, we are now seeing the competition in high technology.

In high technology, the imports and exports are now about balanced when we used to have a heavy edge in export in high technology.

There are a number of things that you can do and are considering to reverse these trends. I am not an expert on such things as antitrust law, but I do hope I know something about higher education after having led a college and then a university for some 17 years.

And I think particularly initiative in graduate education is very important for the health of this country and for our international competitiveness. I want to refer to the 1983 report on graduate education by the National Commission on Student Financial Assistance which showed I think conclusively that graduate education was one of the major engines which drove the creativity of this country and led to the extraordinary period of economic growth in that period after World War II.

The American Society of Engineers estimates that by 1990, 50 percent of the manufacturing positions available will be held by highly skilled engineers and technicians who will service and maintain the computers and robots which will actually do the production.

The National Science Foundation believes, and I quote that, "Technological innovation based on research and development will be an important, perhaps the most important factor in the economic growth of the United States in this century."

Graduate education and research is equally important to national security, including foreign policy and intelligence interests. The Department of Defense purchases equipment, services and research and development from 238 different contractors.

The Departments of State and Defense themselves have voracious appetites for graduate-trained personnel. The Department of Defense alone employs over 100,000 scientists and engineers, many of them graduated-trained. We have had national security experts including cabinet officers and directors of central intelligence who have repeatedly stressed the importance to our security interests of advanced expertise in the history, the culture and the language and politics and economics of other nations.

But that same report on the National Commission on Student Financial Assistance indicated that there were severe shortages of adequately trained scientists and engineers. We, who try to hire engineers and scientists to teach in our universities, know just how tight the market is, and there are a number of engineering jobs which are unfilled.

Moreover, about half of the graduate students in our schools of engineering are from foreign countries. And 30 to 40 percent of the PhDs in physics and mathematics now are foreigners. Many of these people stay in this country and add to the productivity here, but many of them go back to their native countries.

Experts estimate that within the next decade and a half the nation may need and will not have an additional 15 million engineers, scientists and skilled mechanics.

There is also shortfalls in other areas. Because of lack of demand and high educational costs and reduced financial aid levels, thousands of students in the 1970s and early 1980s decided not to undertake doctoral studies and to forego graduate schools.

Even now the nation lacks the scholars it needs for an adequate understanding of the cultures and the economies of other countries and international relations. In the humanities and social sciences, we literally have lost a generation of scholars.

Because of the age profile of faculty in higher education, we are just beginning to experience an increased rate of returns which will jump dramatically over the next decade. These retiring faculty members will need to be replaced, and our current levels of graduate training will simply not suffice unless the number of graduate students are increased dramatically at our colleges and universities, and we are going to face really very severe shortages. In fact, they already exist in some disciplines like computer science, engineering, economics and others.

Unfortunately, even as these patterns have been developing, the level of federal support for graduate fellowships and research assistance has declined from the high point of 1969 when there were about 80,000 federal stipends.

We need to see a substantial increase in the number of science and engineering fellowships sponsored by the agencies of the Federal Government. We need continued federal support for biomedical and behavioral scientist through the National Research Service

Awards Program, and we need additional fellowships annually for graduate students in the arts and the humanities.

As the committee is aware, the Congress has already responded generously to the last of these suggestions by enacting Part D, Section 941 of Title IX of the Higher Education Amendments of 1986, which provides for graduate assistance in areas of national need. Unfortunately, Congressman Coleman's initiative has not yet been funded. And clearly those of us in higher education think that it is urgent that it be funded.

The Commission made recommendations in a number of other areas as well. We need to increase research and training assistantships. We need to increase college work study and so on, but I will not go into any more detail.

I do want to make one final point here. As we increase the number of graduate students and improve graduate training, it is terribly important to make special provisions for minorities in this process. Women are now going on to graduate work in increasing numbers, and I think that issue is being taken care of. But minorities are not. Minorities make up 20 percent of the nation's population but receive only 11 percent of the doctoral degrees. Black Americans account for 11 percent of the population. They receive only 4 percent of the doctoral degrees. And of the latter, about 70 percent of those doctoral degrees for Black Americans are in education and social sciences and psychology. I think the number in physical sciences is something like .3 percent.

And something simply has to be done. We have an opportunity now in the next 20 years when there is going to be this large turnover of faculty members in colleges and universities to at long last bring minorities in the teaching positions in large numbers. But that is not going to happen if they do not receive graduate training, and adequate graduate training.

Thank you again for the opportunity to testify. It has been a privilege to share my views with you. And if you have any questions, I will be happy to answer them.

I am also happy to see that my testimony finally arrived as well as Peter Likins.

[Prepared statement of Dr. Howard R. Swearer follows:]

PREPARED STATEMENT OF DR. HOWARD R. SWEARER, PRESIDENT, BROWN UNIVERSITY

Mr. Chairman and members of the Committee, my name is Howard Swearer, and I am the President of Brown University. I am very grateful to the Committee for the opportunity to appear before you and to testify in support of the goals of H.R. 90. In particular, I would urge the Committee, in its effort to establish educational programs designed to improve the nation's competitiveness in international trade, to give special attention to programs that assist scholarship and advanced graduate training in areas of national need.

As this Committee knows well, the nation is moving into a period of serious economic vulnerability. The storm signs are already visible on both the domestic and international economic horizons. Over the past six years, we have had federal budget deficits of $1 trillion; as a result, over that period, we have doubled the national debt. For the first time in seventy-five years, the United States has become a debtor nation. In a startling reversal, we now have a net debtor status of $250 billion, the world's largest.

When we look at the area of international trade, the evidence of decline is, if anything, even more striking. Between 1960 and 1984, the nation's share of the world's export trade declined by one-third. For over 25 years, foreign imports have been cutting into the markets of the American steel and textile industries. Now foreign competition threatens even the pioneer American high-technology industries of California's Silicon Valley. Six years ago, we exported $59.6 billion in high-technology goods, and imported $31 billion worth of the same goods. Last year, the comparable figures were $68.4 billion and $64.8 billion; the imports had more than doubled. In 1986, the United States share of world markets for high-technology goods declined in seven of ten sectors. The damage caused by foreign competition has been especially severe in the semiconductor area. The American firms that manufacture semiconductors have collectively lost half a billion dollars in the past two years. Over the past five years, these one-time "growth companies" have been forced to lay off 65,000 workers.

What can we do to reverse these trends? Well, we can do many things, and I know that you and your colleagues in the Congress are actively exploring the available policy options, and formulating legislation that will, we all hope, decisively reverse those trends. Many of the options that the Congress is considering are well beyond my competence to address. I don't pretend, for example, to know much about proposed modifications in the nation's antitrust laws. I do, however, know something about education, and so this morning I would like to propose to the Committee an educational initiative in the area of graduate education--specifically, an initiative that will strengthen the nation's capacity for advanced training and research, a capacity that is critical to our ability to produce the experts we need in fields that are important to the national interest.

Permit me for a moment, drawing on the 1983 report on graduate education of the National Commission on Student Financial Assistance, to discuss the importance of graduate education and research to the nation. For decades, they have been the engines of the nation's progress. Investments in graduate education have helped to unleash the remarkable creativity of our citizens and the entire nation has been the beneficiary. Graduate research and education were major springboards for the extraordinary period of economic growth that followed World War II, and they will be critically important to the nation's future economic strength.

The American Society of Engineers, for example, estimates that by 1990, 50 percent of the manufacturing positions available will be held by the highly skilled engineers and technicians who service and maintain the computers and robots that actually produce the nation's durable goods.

And the National Science Foundation believes that technological innovation based on research and development will be "an important--perhaps the most important--factor in the economic growth of the United States in this century."

Graduate education and research is equally important to the national security, including its foreign policy and intelligence interests. The Department of Defense purchases equipment, services, and research and development from 238,000 different contractors. Without this industrial base, its effectiveness would be severely curtailed.

The Departments of State and Defense themselves have voracious appetites for graduate-trained personnel. Over 30,000 positions in the federal government require foreign-language competence, and half of those require advanced analytical skills as well. The Department of Defense alone employs over 100,000 scientists and engineers, many of them graduate-trained.

National security experts, including Cabinet officers and former Directors of Central Intelligence, have repeatedly stressed the importance to our security interests of advanced expertise in the history, culture, religion, politics, and economies of other nations. In their informed judgment, the maintenance of a healthy graduate enterprise is an essential "insurance policy against the future."

But that same report on graduate eucation of the National Commission on Student Financial Assistance uncovered severe problems in the graduate education enterprise. It found, for example, serious shortages of adequately trained scientists and engineers. Moreover, fully half the graduate students in our schools of engineering are from foreign countries. The rate of technological change in the American work place is accelerating, and will bring with it a crisis in the technical competence of American workers. Experts estimate that within the next decade and a half, the nation may need, and will not have, an additional 15 million engineers, scientists, skilled mechanics, and semi-skilled workers.

The shortfall extends to other areas as well. High educational costs, reduced financial aid levels, and uncertain job prospects have led thousands of students with the capacity to undertake doctoral studies to forego graduate school. Even now, the nation lacks the scholars it needs for an adequate understanding of the cultures, economices, and international policies of many other countries. In the humanities and the social sciences, an entire generation of scholars may be lost.

Moreover, because of the age profile of the faculty in higher education, we are just beginning to experience an increased rate of retirements which will jump dramatically over the last decade. These retiring faculty members will need to be replaced; and our current levels of graduate education simply will not suffice. Unless the number of graduate students is increased, our colleges and universities will soon face severe shortages of faculty. In fact, shortages already exist in some disciplines. We must take a long range view of our graduate educational institutions and set in place mechanisms that will enable us to replace our present faculty with our best young minds.

Unfortunately, even as these patterns have been developing, the level of federal support for graduate fellowships and research assistantships has declined from the 80,000 federal stipends available in 1969.

The Commission's positive recommendations with respect to fellowships were designed to alter these patterns. It called for: (1) a substantial increase in the number of science and engineering fellowships sponsored by the agencies of the federal government; (2) continued federal support for biomedical and behavioral scientists, through the National Research Service Awards Program; and (3) 750 additional fellowships annually for graduate students in the arts, humanities, and social sciences.

As the Committee is well aware, Congress has already responded generously to the last of these suggestions by enacting Part D, Section 941 of Title IX of the Higher Education Amendments of 1986, which provides for graduate assistance in areas of national need. Unfortunately, Congressman Coleman's initiative has not yet been funded. If it is funded, the initiative will, in my judgment, contribute significantly to both our economic competitiveness and our national security.

The Commission made recommendations in a number of other areas as well. With regard to research and training assistantships, it urged that increased federal support for research be accompanied by an increase in the number of research assistants in all fields, and it called for an increase in the College Work Study program that would permit colleges and universities to increase their own support for graduate students engaged in research or teaching in their academic specialties.

I urge the Committee to give careful consideration to all of the Commission's recommendations. In particular, I commend to the Committee the Commission's suggestions that federal programs designed to encourage graduate study in the sciences and engineering give special attention to women and minorities.

Minorities make up 21 percent of the nation's population but receive only 11 percent of the doctoral degrees; black Americans account for 11 percent of the population but receive only 4 percent of the doctoral degrees. Of the latter, about 70 percent are in education and social science/psychology. In the decades ahead, if the energies and abilities of these groups are lost to graduate education, the loss will be the nation's, too.

Mr. Chairman and members of the Committee, in a very real sense the future of the nation lies in its graduate schools. They are the intellectual infrastructure on which both our national security and our ability to compete in international markets depends. This Committee and the Congress could make no wiser investment than to provide our young people with the support they need to take full advantage of this great national resource.

Thank you again for the opportunity to testify before the Committee. It has been a privilege to share my views with you. If you have any questions, I would be pleased to try to answer them.

Chairman **Hawkins**. Thank you.

The next witness is Dr. Peter Likins, President, Lehigh University.

STATEMENT OF PETER LIKINS, PRESIDENT, LEHIGH UNIVERSITY

Mr. **Likins**. Thank you, Mr. Chairman. I am pleased to testify about university research before this committee, particularly in the context of hearings related to the competitiveness of American goods and services in the global economy. My oral testimony can be brief because I can leave with you a written record in the form of reports of committees of the White House Science Council and the National Academy of Engineering on which I have served. I will then be available for any questions you may have.

In any era, responsible members of Congress must address the basic questions of quality, accessibility and integrity of our nation's systems for education and research. The current Congress has however a special responsibility in these areas because of the demonstrable linkage between these systems and the strength of our national economy in a global context.

I understand that my specific assignment is to address the question: "What is the condition of the research facilities and equipment infrastructure in U.S. Colleges and Universities?"

As a member of the Packard-Bromley Panel on the Health of U.S. Colleges and Universities, I must tell you what we told the White House Science Council. As a cumulative consequence of almost 20 years of comparative underfunding of research facilities and permanent laboratory equipment in American universities, the federal government should establish for each of the next 10 years a facilities and equipment fund in the NSF for allocation of one-for-one matching funds on a competitive basis. This fund should provide $500 million annually, so that $10 billion will be invested in university infrastructure over 10 years.

To avoid the boom and bust cycle that has characterized university infrastructure funding, our panel recommended that there should be a permanent change in the so-called use allowances for university research contracts, recognizing that the average useful life of university research buildings and facilities is closer to 20 years than to the 50 years currently assumed, and the useful life of research equipment and instrumentation is more like five to 10 years than the 15 years now implied by the approved use allowance.

With sensible allocations for use allowances built into every university research contract, the federal government could reduce the research facilities and equipment fund after 10 years to the modest level required for true incremental expansion as opposed to replenishment and maintenance of the university research infrastructure.

As you seek to understand the current state of our university research infrastructure, you should refer to recent surveys conducted by the NSF in response to the congressional mandate to collect data on the status and condition of academic research facilities.

A general survey is described in the NSF report, I have a copy here, it's called "Science and Engineering Research Facilities at Doctorate-Granting Institutions," dated September 1986.

The results of a more well-focused survey are available in another NSF report, "Academic Research Equipment in the Physical and Computer Sciences and Engineering," the date is December of 1984.

Now although these surveys are necessarily subject to the inherent limitations of large-scale efforts to produce simple generalizations in response to very complicated questions, they can be very valuable if their results are used properly. Please if you do refer to these reports take the time to go through them in detail. Resist the temptation to draw sweeping conclusions.

For example, I urge caution in your interpretation of telephone surveys recording opinions of the condition of research facilities, particularly in undifferentiated as to function and measured by such terms as "excellent, good, fair and poor."

In evaluating such surveys remember that almost any university with a medical school receives most of its research funding from the NIH in the medical sciences, and the infrastructure impressions of the chief university research administrator will be dominated by the conditions of the medical research labs.

The deans of engineering and physical sciences in the same university may correctly report, "fair to poor" facilities, as most do, while the vice president for research and the dean of medicine report, "good to excellent" facilities.

If you are motivated in your inquiry by concern for the international competitiveness of American industry, you should concentrate, as you read these surveys concentrate on the 1986 opinions of the deans in engineering and physical sciences and also refer to the 1984 report which is confined to these domains, engineering, computer and physical sciences.

Remember too that the most meaningful evaluations are comparative evaluations, so you have a frame of reference in which to make your judgment. Rather than ask, "How good are your research facilities?", one must ask, "How good are your research facilities relative to something, relative to currently available technology, relative to those in industry, relative to those in another country?" Rather than ask whether funds are required for academic research facilities, one must ask whether the need is greater than the need for graduate student fellowships, or new, interdisciplinary science and technology centers, or continuing funding of basic scientific research projects.

As members of the House Committee on Labor and Education, your frame of reference is different than from mine. You must compare the need for research infrastructure to the need for basic educational opportunities in the inner cities, for retraining of dislocated workers, and for adult literacy programs, and your list goes on and on, and I realize that.

Finally, as members of Congress making tough judgments in the face of deficit reduction requirements, you must compare research infrastructure needs to the full spectrum of alternatives, including reallocation as well as incremental funding among your options.

Of the almost $100 billion expended nationally in 1984 for research and development, only about $8 billion found their way to universities, $100 billion for R&D; of that $8 billion to universities. That was in 1984 and the numbers have changed but the ratios have not changed much. You have to ask whether some of these dollars should be reallocated in order to better serve the needs of the universities. You should also ask whether more money in totality should be committed to R&D. Should the federal government commit $5 billion over 10 years to the research infrastructure matching fund recommended by the Packard-Bromley Committee, or should this same sum go toward the superconducting supercollider or the space station or the strategic defense initiative? Are any of these programs more important than the $5 billion that is withdrawn from college student financial aid in the President's budget proposal for next year?

Rather than enumerate my personal recommendations for funding priorities here today, I would prefer to suggest criteria by which I believe such judgments should be made in this Congress, and perhaps for the coming decade.

I have a series of three test questions to establish an investment criteria and they are enumerated in priority sequence.

Number one, I believe that you and this Congress should ask the question, does this investment promise to strengthen the national and world economy within 10 to 20 years.

Number two, does this investment promise to contribute to the physical and social health of our nation and the world within 20 years.

Number three, does this investment promise to contribute to human knowledge of the natural and manmade world.

Please note that these are the recommended priorities for these challenging times, and not for all times. In the prosperous 1960s we ignored the first of these criteria in favor of the second and third, and perhaps that reversal of order was correct for those times. Perhaps we hope there can come a future time when our horizons can extend beyond a brief 20 years, and the third of these criteria can become pre-eminent; a time that we can focus on the expansion of human knowledge of the natural and manmade world as an objective in its own right.

But right now we have serious problems of productivity in America, and we must either find solutions or accept long term decline in our standard of living relative to the rest of the world. I believe that we can meet the challenge in the course of the coming decade, and enter the next century in a position of restored leadership in the generation of the world's goods and services. But this recovery will not come quickly or easily, and it will not come cheaply or painlessly. I must hope that our political leadership will demonstrate the wisdom and the courage required to meet this challenge.

Thank you, Mr. Chairman.

[Prepared statement of Dr. Peter Likins follows:]

Prepared Statement of Dr. Peter Linkins, President, Lehigh University

I AM PLEASED TO TESTIFY ABOUT UNIVERSITY RESEARCH BEFORE THE HOUSE COMMITTEE ON EDUCATION AND LABOR, PARTICULARLY IN THE CONTEXT OF HEARINGS RELATED TO THE COMPETITIVENESS OF AMERICAN GOODS AND SERVICES IN THE GLOBAL ECONOMY.

MY ORAL TESTIMONY CAN BE BRIEF, BECAUSE I CAN LEAVE WITH YOU A WRITTEN RECORD IN THE FORM OF REPORTS OF COMMITTEES OF THE WHITE HOUSE SCIENCE COUNCIL AND THE NATIONAL ACADEMY OF ENGINEERING ON WHICH I HAVE SERVED. I WILL THEN BE AVAILABLE FOR ANY QUESTIONS YOU MAY HAVE.

IN ANY ERA, RESPONSIBLE MEMBERS OF CONGRESS MUST ADDRESS THE BASIC QUESTIONS OF QUALITY, ACCESSIBILITY AND INTEGRITY OF OUR NATION'S SYSTEMS FOR EDUCATION AND RESEARCH. THE CURRENT CONGRESS HAS HOWEVER A SPECIAL RESPONSIBILITY IN THESE AREAS BECAUSE OF THE DEMONSTRABLE LINKAGE BETWEEN THESE SYSTEMS AND THE STRENGTH OF OUR NATIONAL ECONOMY IN A GLOBAL CONTEXT.

I UNDERSTAND THAT MY SPECIFIC ASSIGNMENT IS TO ADDRESS THE QUESTION: "WHAT IS THE CONDITION OF THE RESEARCH FACILITIES AND EQUIPMENT INFRASTRUCTURE IN U.S. COLLEGES AND UNIVERSITIES?"

AS A MEMBER OF THE PACKARD-BROMLEY "PANEL ON THE HEALTH OF U.S. COLLEGES AND UNIVERSITIES," I MUST TELL YOU WHAT WE TOLD THE WHITE HOUSE SCIENCE COUNCIL: AS A CUMULATIVE CONSEQUENCE OF ALMOST TWENTY YEARS OF COMPARATIVE UNDERFUNDING OF RESEARCH FACILITIES AND PERMANENT LABORATORY EQUIPMENT IN AMERICAN UNIVERSITIES, THE FEDERAL GOVERNMENT SHOULD ESTABLISH FOR EACH OF THE NEXT TEN YEARS A FACILITIES AND EQUIPMENT FUND IN THE NSF FOR ALLOCATION OF ONE-FOR-ONE MATCHING FUNDS ON A COMPETITIVE BASIS; THIS FUND SHOULD PROVIDE $500 MILLION ANNUALLY, SO THAT $10 BILLION WILL BE INVESTED IN UNIVERSITY INFRASTRUCTURE OVER TEN YEARS.

TO AVOID THE BOOM AND BUST CYCLE THAT HAS CHARACTERIZED UNIVERSITY INFRASTRUCTURE FUNDING, OUR PANEL RECOMMENDED THAT THERE SHOULD BE A PERMANENT CHANGE IN "USE ALLOWANCES" FOR

UNIVERSITY RESEARCH CONTRACTS, RECOGNIZING THAT THE AVERAGE USEFUL LIFE OF UNIVERSITY RESEARCH BUILDINGS AND FACILITIES IS CLOSER TO 20 YEARS THAN TO THE 50 YEARS CURRENTLY ASSUMED, AND THE USEFUL LIFE OF RESEARCH EQUIPMENT AND INSTRUMENTATION IS MORE LIKE 5 - 10 YEARS THAN THE 15 YEARS NOW IMPLIED BY THE APPROVED USE ALLOWANCE. WITH SENSIBLE ALLOCATIONS FOR USE ALLOWANCES BUILT INTO EVERY UNIVERSITY RESEARCH CONTRACT, THE FEDERAL GOVERNMENT COULD REDUCE THE RESEARCH FACILITIES AND EQUIPMENT FUND AFTER TEN YEARS TO THE MODEST LEVEL REQUIRED FOR TRUE INCREMENTAL EXPANSION AS OPPOSED TO REPLENISHMENT AND MAINTENANCE OF THE UNIVERSITY RESEARCH INFRASTRUCTURE.

AS YOU SEEK TO UNDERSTAND THE CURRENT STATE OF OUR UNIVERSITY RESEARCH INFRASTRUCTURE, YOU SHOULD REFER TO RECENT SURVEYS CONDUCTED BY THE NSF IN RESPONSE TO THE CONGRESSIONAL MANDATE TO COLLECT DATA ON THE STATUS AND CONDITION OF ACADEMIC RESEARCH FACILITIES. A GENERAL SURVEY IS DESCRIBED IN THE NSF REPORT, "SCIENCE AND ENGINEERING RESEARCH FACILITIES AT DOCTORATE-GRANTING INSTITUTIONS," DATED SEPTEMBER 1986. THE RESULTS OF A MORE

WELL-FOCUSED SURVEY ARE AVAILABLE IN ANOTHER NSF REPORT, "ACADEMIC RESEARCH EQUIPMENT IN THE PHYSICAL AND COMPUTER SCIENCES AND ENGINEERING," DATED DECEMBER 1984.

ALTHOUGH THESE SURVEYS ARE NECESSARILY SUBJECT TO THE INHERENT LIMITATIONS OF LARGE-SCALE EFFORTS TO PRODUCE SIMPLE GENERALIZATIONS IN RESPONSE TO VERY COMPLICATED QUESTIONS, THEY CAN BE VERY VALUABLE IF THEIR RESULTS ARE USED PROPERLY. PLEASE TAKE THE TIME TO READ THESE REPORTS IN DETAIL, AND RESIST THE TEMPTATION TO DRAW SWEEPING CONCLUSIONS.

FOR EXAMPLE, I URGE CAUTION IN YOUR INTERPRETATION OF TELEPHONE SURVEYS RECORDING OPINIONS OF THE CONDITION OF RESEARCH FACILITIES, PARTICULARLY IF UNDIFFERENTIATED AS TO FUNCTION AND MEASURED BY SUCH TERMS AS "EXCELLENT, GOOD, FAIR, AND POOR." IN EVALUATING SUCH SURVEYS REMEMBER THAT ALMOST ANY UNIVERSITY WITH A MEDICAL SCHOOL RECEIVES MOST OF ITS RESEARCH FUNDING FROM THE NIH IN THE MEDICAL SCIENCES, AND THE INFRASTRUCTURE IMPRESSIONS OF THE CHIEF UNIVERSITY RESEARCH ADMINISTRATOR WILL BE DOMINATED

BY THE CONDITION OF THE MEDICAL RESEARCH LABS. THE DEANS OF ENGINEERING AND PHYSICAL SCIENCES IN THE SAME UNIVERSITY MAY CORRECTLY REPORT "FAIR TO POOR" FACILITIES (AS MOST DO) WHILE THE VICE PRESIDENT FOR RESEARCH AND THE DEAN OF MEDICINE REPORT "GOOD TO EXCELLENT" FACILITIES. IF YOU ARE MOTIVATED IN YOUR INQUIRY BY CONCERN FOR THE INTERNATIONAL COMPETITIVENESS OF AMERICAN INDUSTRY, YOU SHOULD CONCENTRATE ON THE 1986 OPINIONS OF THE DEANS OF ENGINEERING AND PHYSICAL SCIENCES AND THE 1984 REPORT CONFINED TO THESE DOMAINS.

REMEMBER TOO THAT THE MOST MEANINGFUL EVALUATIONS ARE COMPARATIVE EVALUATIONS, BECAUSE THEY INCLUDE A FRAME OF REFERENCE. RATHER THAN ASK "HOW GOOD ARE YOUR RESEARCH FACILITIES?", ONE MUST ASK "HOW GOOD ARE YOUR RESEARCH FACILITIES RELATIVE TO CURRENTLY AVAILABLE TECHNOLOGY, OR RELATIVE TO THOSE IN INDUSTRY, OR RELATIVE TO THOSE IN ANOTHER COUNTRY?" RATHER THAN ASK WHETHER FUNDS ARE REQUIRED FOR ACADEMIC RESEARCH FACILITIES, ONE MUST ASK WHETHER THIS NEED IS GREATER THAN THE NEED FOR GRADUATE STUDENT FELLOWSHIPS, OR NEW, INTERDISCIPLINARY SCIENCE AND

TECHNOLOGY CENTERS, OR CONTINUING FUNDING OF BASIC SCIENTIFIC RESEARCH PROJECTS.

AS MEMBERS OF THE HOUSE COMMITTEE ON LABOR AND EDUCATION, YOUR FRAME OF REFERENCE IS DIFFERENT FROM MINE. YOU MUST COMPARE THE NEED FOR RESEARCH INFRASTRUCTURE TO THE NEED FOR BASIC EDUCATIONAL OPPORTUNITIES IN THE INNER CITIES, FOR RETRAINING OF DISLOCATED WORKERS, AND FOR ADULT LITERACY PROGRAMS.

FINALLY, AS MEMBERS OF CONGRESS MAKING TOUGH JUDGMENTS IN THE FACE OF DEFICIT REDUCTION REQUIREMENTS, YOU MUST COMPARE RESEARCH INFRASTRUCTURE NEEDS TO THE FULL SPECTRUM OF ALTERNATIVES, INCLUDING REALLOCATION AS WELL AS INCREMENTAL FUNDING AMONG YOUR OPTIONS.

OF THE ALMOST $100 BILLION EXPENDED NATIONALLY IN 1984 FOR RESEARCH AND DEVELOPMENT, ONLY ABOUT $8 BILLION FOUND THEIR WAY TO UNIVERSITIES. SHOULD SOME OF THESE DOLLARS BE REALLOCATED? SHOULD MORE MONEY BE COMMITTED TO R AND D?

SHOULD THE FEDERAL GOVERNMENT COMMIT $5 BILLION OVER 10 YEARS TO THE RESEARCH INFRASTRUCTURE MATCHING FUND RECOMMENDED BY THE PACKARD-BROMLEY PANEL, OR SHOULD THIS SAME SUM GO TOWARD THE SUPERCONDUCTING SUPERCOLLIDER OR THE SPACE STATION OR THE STRATEGIC DEFENSE INITIATIVE? ARE ANY OF THESE PROGRAMS MORE IMPORTANT THAN THE $5 BILLION THAT IS WITHDRAWN FROM COLLEGE STUDENT FINANCIAL AID IN THE PRESIDENT'S BUDGET PROPOSAL FOR NEXT YEAR?

RATHER THAN ENUMERATE MY PERSONAL RECOMMENDATIONS FOR FUNDING PRIORITIES HERE TODAY, I WOULD PREFER TO SUGGEST CRITERIA BY WHICH I BELIEVE SUCH JUDGMENTS SHOULD BE MADE IN THIS CONGRESS, AND FOR THE COMING DECADE:

TEST QUESTIONS FOR INVESTMENT CRITERIA IN PRIORITY SEQUENCE

1) DOES THIS INVESTMENT PROMISE TO STRENGTHEN THE NATIONAL AND WORLD ECONOMY WITHIN 10 TO 20 YEARS?

2) DOES THIS INVESTMENT PROMISE TO CONTRIBUTE TO THE PHYSICAL AND SOCIAL HEALTH OF OUR NATION AND THE WORLD WITHIN 20 YEARS?

3) DOES THIS INVESTMENT PROMISE TO CONTRIBUTE TO HUMAN KNOWLEDGE OF THE NATURAL AND MANMADE WORLD?

PLEASE NOTE THAT THESE ARE THE RECOMMENDED PRIORITIES FOR THESE CHALLENGING TIMES, AND NOT FOR ALL TIMES. IN THE PROSPEROUS 1960S WE IGNORED THE FIRST OF THESE CRITERIA IN FAVOR OF THE SECOND AND THIRD, AND PERHAPS THAT REVERSAL OF ORDER WAS CORRECT FOR THOSE TIMES. PERHAPS THERE WILL COME A FUTURE TIME WHEN OUR HORIZONS CAN EXTEND BEYOND A BRIEF TWENTY YEARS, AND THE THIRD OF THESE CRITERIA CAN BECOME PRE-EMINENT. BUT RIGHT NOW WE HAVE SERIOUS PROBLEMS OF PRODUCTIVITY IN AMERICA, AND WE MUST EITHER FIND SOLUTIONS OR ACCEPT LONG TERM DECLINE IN OUR STANDARD OF LIVING RELATIVE TO THE REST OF THE WORLD. I BELIEVE THAT WE CAN MEET THE CHALLENGE IN THE COURSE OF THE COMING DECADE, AND ENTER THE NEXT CENTURY IN A POSITION OF RESTORED LEADERSHIP IN

THE GENERATION OF THE WORLD'S GOODS AND SERVICES. BUT THIS RECOVERY WILL NOT COME QUICKLY OR EASILY, AND IT WILL NOT COME CHEAPLY OR PAINLESSLY. I HOPE THAT OUR POLITICAL LEADERSHIP WILL DEMONSTRATE THE WISDOM AND THE COURAGE REQUIRED TO MEET THE CHALLENGE.

References

1. "A Renewed Partnership," a report of the Panel on the Health of U.S. Colleges and Universities to the White House Science Council, February 1986. (Panel Chairman David Packard and Vice Chairman D. Allan Bromley)

2. "New Directions for Engineering in the National Science Foundation," a report of the National Academy of Engineering to the National Science Foundation, 1985. (Panel Chairman Peter Likins)

3. "Science and Engineering Research Facilities At Doctorate-Granting Institutions," a report of the National Science Foundation, September 1986. (Prepared by the Science Resources Studies Division of the National Science Foundation, based on surveys conducted by Westat, Inc.)

4. "Academic Research Equipment in the Physical and Computer Sciences and Engineering," a report of the National Science Foundation, December 1984. (Prepared for the Science Resources Studies Division of the National Science Foundation on the basis of surveys conducted by Westat, Inc.)

New Directions for Engineering in the National Science Foundation

A REPORT TO THE
NATIONAL SCIENCE FOUNDATION
FROM THE
NATIONAL ACADEMY OF ENGINEERING

Prepared by

Committee to Evaluate the Programs
of the National Science Foundation
Directorate for Engineering

National Academy of Engineering
Washington, D.C. 1985

Report of the
White House
Science Council

February 1986

PANEL ON THE HEALTH OF U.S. COLLEGES AND UNIVERSITIES

OFFICE OF SCIENCE AND TECHNOLOGY POLICY
EXECUTIVE OFFICE OF THE PRESIDENT
Washington, D.C. 20506

A RENEWED PARTNERSHIP

An examination of federal government-university-industry interactions in U.S. research and higher education in science and engineering.

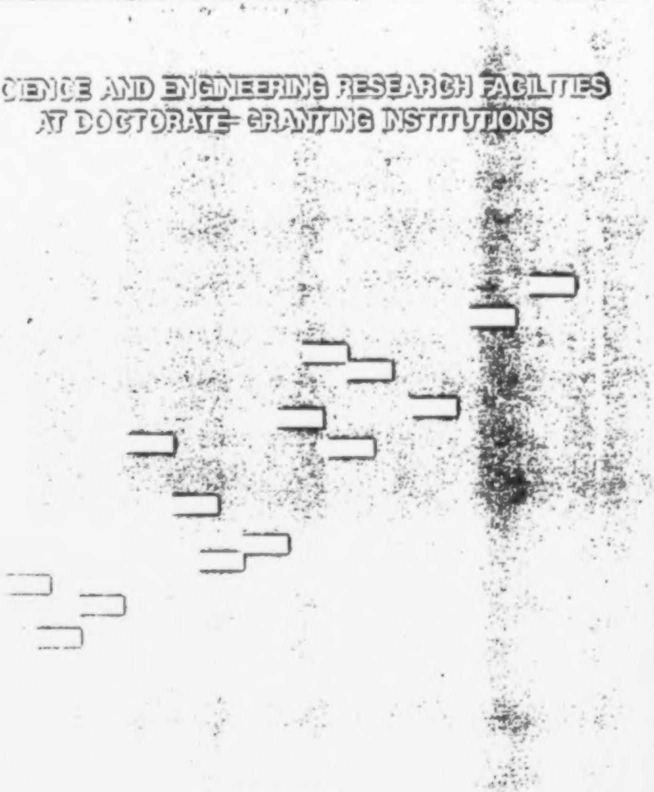
February 1986

A Report of the
White House Science Council
Panel on the Health of U.S. Colleges and Universities
to the
Office of Science and Technology Policy
Executive Office of the President
Washington, D.C. 20506

Return to
Matt Reilly

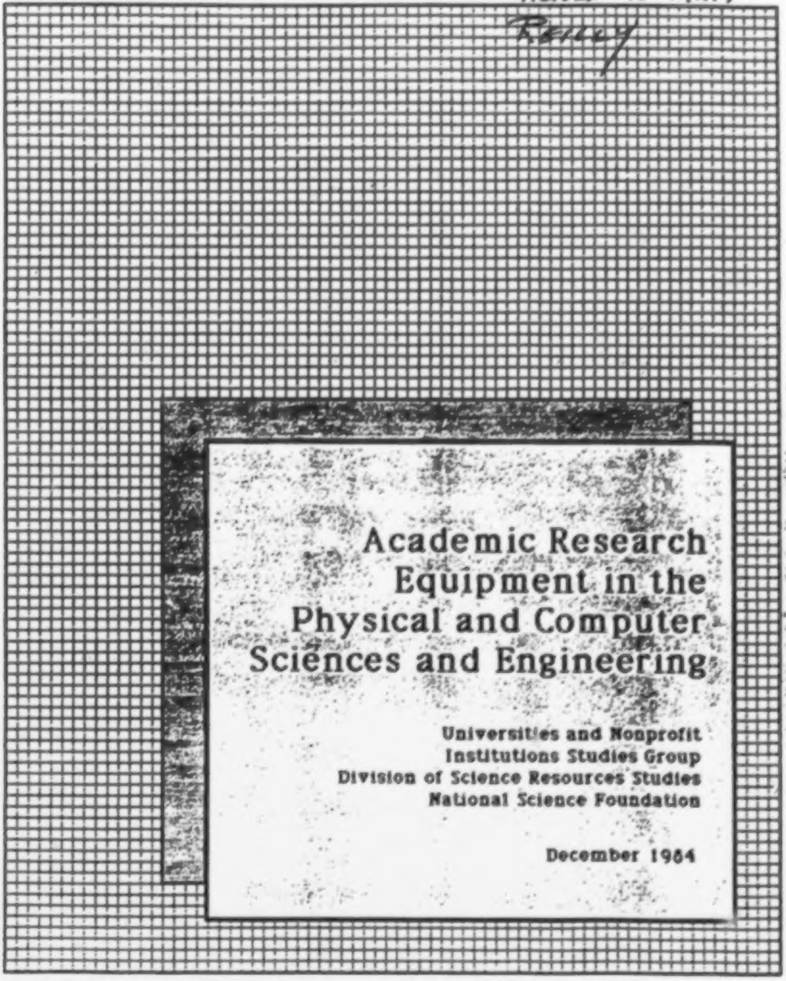
NATIONAL SCIENCE FOUNDATION

SCIENCE AND ENGINEERING RESEARCH FACILITIES AT DOCTORATE-GRANTING INSTITUTIONS



SEPTEMBER 1986

Return to Matt Reilly



Academic Research Equipment in the Physical and Computer Sciences and Engineering

Universities and Nonprofit
Institutions Studies Group
Division of Science Resources Studies
National Science Foundation

December 1984

ACADEMIC RESEARCH EQUIPMENT IN THE PHYSICAL AND COMPUTER SCIENCES AND ENGINEERING

An Analysis of Findings from Phase I of the National Science
Foundation's National Survey of Academic Research
Instruments and Instrumentation Needs

Prepared for:

Universities and Nonprofit Institutions Studies Group
Division of Science Resources Studies
National Science Foundation
Washington, D.C. 20550

Submitted by:

Westat, Inc.
1650 Research Boulevard
Rockville, Maryland 20850

December 1984

Chairman **Hawkins**. Thank you, Dr. Likins.

Let me first direct a question to Professor Dossey.

Professor Dossey, in your statement you tend to emphasize the use of technology. In her testimony Professor White, who was not present today made the point that in Japanese education, technology was not emphasized or was not generally used. She made quite a point of that.

Your testimony seems to indicate that technology is more greatly used in American education and that we need to do even more in the technology area.

Can you in any way reconcile those two views? I regret that Professor White is not here today in order to give some contrast, I think we need to resolve this rather basic difference of opinion.

Mr. **Dossey**. Yes, I think I can, and I might mention that I was one of the principal investigators in the Second International Mathematics Study, and that was one of the areas in which we did take a look across countries.

It is true that in Japan that there is very little use of technology in the schools. They do make large use yet of the abacus. And I think a difference that may be happening there is that they spend much larger times in their elementary schools developing mental models which lead to—mental models especially of numeration in computational algorithms and then use the abacus in some ways that almost replace our little use of technology.

Our survey showed that within schools at the eighth grade level, less than one-third of the students were getting access to hand calculators or computers in the classroom, and that would have been in 1982.

There have been some more recent studies done by a Professor Becker at Johns Hopkins University that indicates that there has been some increase in that area.

And I think the real basic answer to the question you ask is what effect does that technology have on student learning and mastery of basic skills. I think that is the crux of the issue that we are addressing.

There was a major study done in the United States a year ago. The results were reported in the March 1986 issue of the Journal for Research in Mathematics Education. It was a large what is known as a meta-analysis which is an analysis of study findings of the impact of the hand calculator in elementary through secondary school mathematics.

It showed students who had access to that did not lose their ability to perform paper and pencil calculations. Much the same as that a reporter does not lose their ability to write and compose because they use a word processor.

But what it did show, and it did show across various levels of student ability, that they made significant gains in problem-solving; an ability to attack and solve problems.

There have been other research that have shown similar results, and it is not to say that basic computation and understanding of your numeration system is not still a basic goal. But it is one that can be both supported and extended into application by use of technology in the classroom.

So I think that the difference is that neither have had that exposure in the past, and it may be a way in which we can help move significant portions of our society forward.

Chairman HAWKINS. Thank you.

As far as the data you submitted is concerned the charts showing international comparisons, may I ask whether or not these same comparisons existed prior to World War II. These are comparisons in which the United States certainly shows very badly, is this a phenomenon of recent origin. Just how recently have we begun to do so poorly?

Mr. DOSSEY. These comparisons come from the 1980-82 school year, and the study compared student growth across that entire year with pre- and post-testing as well as information on classroom performance.

I might add that this was the Second International Mathematics Study. It's carried out under the auspices of the International Association for Evaluation of Educational Achievement which is a group of national research centers internationally.

Within the United States, it is housed at Columbia University, but in most countries it would be in the Department of Education. This study was funded by the then NIE and the National Science Foundation, Center for Education Statistics within the U.S.

As I said, it was the second. The first such study was carried out in 1964. The results at that time showed that we were dead last, but it was only among 11 countries. We have not improved our position relative to any industrialized country over that period of time.

Comparative growth on items that were similar in both studies showed that we have actually decreased in levels of performance at higher level thinking skills in the 17-year period between 1964 and 1981. It did show at the twelfth grade level changes in curriculum. Most noticeably, the addition of some calculus content to the curriculum. We have had a modest growth there, but not statistically significant growth.

Chairman HAWKINS. In other words, your answer, the gist of it is that we are not improving——

Mr. DOSSEY. Right.

Chairman HAWKINS [continuing]. According to the data and maybe in a sense falling behind.

Mr. DOSSEY. If I could add, whenever you make that comparison of a significant drop at the eighth grade, you are talking about all of the students, essentially 100 percent of the student population. Whereas when you talk at the twelfth grade, you are only talking about the technical group.

Chairman HAWKINS. Mr. Morris, one question of you. This committee has been greatly concerned about the dislocated worker. Some studies indicate that many of those who were displaced due to plant closings and technological innovations were reading at a very low grade level; sometimes below the seventh grade level. We are talking about individuals that in many instances have been in industry for a decade or more earning substantial hourly wages. They are really not the individuals who would be inclined to go back to school or to become embarrassed by publicly learning how to read and to function adequately.

In discussing educational TV, I was wondering whether or not there is a great possibility of providing some type of education to such individuals so that they could learn how to read without being visible and without, being embarrassed.

Mr. **Morris**. Yes, sir.

Chairman **Hawkins**. Would you expand on that possibility? Do you think that such an idea could be let us say included in the proposal before the committee?

Mr. **Morris**. Yes, sir. We have now a series that we are running in Mississippi. We run two lessons a week and we repeat the lesson. We run it early in the morning, at noon and late in the afternoon, at night after the prime time, and then we run it on the weekend. We have found that those are the best two times.

And the whole idea of that series is to motivate people to learn to read and every newspaper in the state is printing that schedule daily. This series was made in Detroit, Michigan by an ABC affiliate there. They worked with us on a literacy project and they got together this series. It is going nationally and they are going to try to get as many stations in the country as they can to motivate people to learn in the privacy of their own home so that they will not be embarrassed, and then they can reach—if they take this course, they will be able to read about the fifth grade level.

And if you can read to about the fifth grade level, then you can pick up on the GED, which there is a series television and we work with the state departments, with local schools, et cetera. These people will then come in, and besides that, we have a tutorial program where everybody is urged—we have a series of problems where we teach people to teach people to read, average citizens, housewives, anybody interested in teaching somebody to reach we have this. And it uses a scientific method, but we teach them the rudiments of it by TV and they go out. This is being done in many states.

And then they can go from that to this. But part of this is teaching someone who is embarrassed and getting it in their home. Now it is going to be hard to track numbers because people are not telling you that. But you will notice it when they begin to come in the tutorial program, when they come in to the GED programs, et cetera.

But make no mistake, besides the workers, besides all those displaced people, there are others. We had a case of a truck driver who went all over the country driving an 18-wheeler and he took his cousin with him to read the road signs. He could not even read the road signs. And there are sad, sad tales like that, and it is hard to imagine someone who cannot read. And this program will do that.

We have jumped the gun in Mississippi, and we are running it. We think it is going nationally. There will be a move in April to try to get other stations, not only noncommercial stations, but commercial stations as well, and we ballyhoo it. The newspapers print the schedule daily free of charge, and that effort should show some fruit.

And if I could digress just a moment. In the Mississippi experience in the teacher, in the question that you asked just before. In Mississippi, we did not have the math teachers. We did not have those kind of teachers and technology was a way of doing it. Nothing replaces a good teacher, it is true. But at the very low levels of the economic situation where schools are just strapped. They have no art teacher, they have no science teacher, anything they can get is helpful.

And we think that we have made a contribution in Mississippi because the grade levels are coming up. The State Department, and we have worked very closely, and we connect our television educational programs to the curriculum of the state so that if it is on the air, it is part of the textbook; it is part of the thing. And if you connect it that way, then it has a bearing, and with a correct lesson plan and check with a teacher who is not an expert in this area, you can make some progress. And then when they get to the other areas, they will do that.

Chairman Hawkins. Thank you.

I have other questions of the other witnesses, but my time is up. Mr. Coleman.

Mr. Coleman. Thank you, Mr. Chairman.

I thank all of you for appearing this morning on this important panel. Professor Dosser, is it Dosser?

Mr. Dossey. Dossey.

Mr. Coleman. Dossey.

Mr. Dossey. Like bossy with a D.

Mr. Coleman. All right. I wonder if in your study that you have given to us, if absolute numbers would get us a better presentation of what we are in a competitive factor. In other words, if we had 5 million students and 10 percent of them were in the highest category, we would have 500,000 top flight people compared to Sweden, let us say they started off with maybe 50,000 students and in the top 10, it would be 5,000.

Do you have any of the absolute numbers and how do they stack up?

Mr. Dossey. I cannot give you that information directly from the top of my head. I can get back to you in writing on that. I could give you a feeling that only—well, at least 50 million adults have not achieved, in our population have not achieved the intermediate algebra level which would be essentially the end of the ninth grade in our population. That is one of the projects I know that was made from that data.

Now I would have to go back and have those calculated and get back to you, but I do know that one piece of data.

Mr. Coleman. Is there any information on Eastern Bloc countries? You compared them all to the Western countries.

Mr. Dossey. The only Eastern Bloc country that is involved in this study is Hungary, and if you notice that they fall near us in those distributions.

I might mention though in the case of Hungary, they retain 100 percent of—excuse me. They retain 50 percent of their students to the twelfth grade level in their education system, but the entire 100 percent of that 50 percent are all students who are still in school at that age are in that mathematics group which to some degree draws that performance level down.

We have belief that other countries have taken the test, but that data has not been released. In the first study, West Germany participated, but they did not participate in this study.

Mr. COLEMAN. And I would also like to say that Dr. Swearer's remarks about the graduate programs are right on point, Mr. Chairman. I think with the emphasis that he made in his testimony regarding the number of students who are foreign students in our engineering programs and graduate programs, that what we in fact are doing are training in our fine institutions the next generation of people in the world who will out-compete us for the next go-around when we are here 20 years from now asking why we are behind.

That is not the issue. The issue really is why we do not have our people sitting in those classrooms. And from that standpoint, I think it is important to consider the graduate program that you and others supported with me last year in trying to get it funded and trying to get in on the competitiveness issue, because it is so important that we not leave our own people behind. The reason our citzens are not going into those classrooms is that they have staggering loan repayments and debts staring at them. It is much easier to avoid accumulating large debts and make a good living on the outside, and I think that is what we are trying to stress.

So I thank Dr. Swearer for his testimony and him being here today and the comments that he made about the Graduate Assistance in Areas of National Needs Program.

I would ask him to address another issue which he did not touch on, which is a concern that we have in the graduate area as well, and that is the impact of the new tax bill which requires the taxation of stipends and fellowships of some of our graduate students, and what that means and what the impact is of such taxation.

Mr. SWEARER. I am glad you asked that question, because it is a very serious matter. The Tax Act last year, whether deliberately or not, taxed the stipends of graduate students, and you could say, well, that ought to be expected. Why should they not be taxed, you know, you are getting a very low stipend, maybe $5 or $6,000 or $7,000. But the fact of the matter is it also includes tuition remissions. So if tuition is $10,000 or $11,000 say, the tax is not just on the stipend of the $6, $7, $8,000, but on the tuition remission as well. So all of a sudden you are beginning to have tax on $20,000, and graduate students do not have that kind of money.

So at one time we are trying to provide more funds, get more students to go into graduate work to meet the national need, at the same time we have a Tax Act which is discouraging them from doing so.

Mr. COLEMAN. What you are saying is that you actually could owe more taxes than you are getting. I mean you would be paying out-of-pocket taxes to accept a stipend because of the nonmonetary type of——

Mr. SWEARER. That is right.

Mr. COLEMAN [continuing]. Portion of the stipend.

Mr. SWEARER. Exactly. And it is a very serious business.

There is some attention in Congress now being paid to it, but whether it will be corrected in time to help for this year, I am just not aware.

Mr. **Coleman**. So this issue of farming graduate stipends and fellowships are just going to accelerate the problem.

Mr. **Swearer**. Yes.

Mr. **Coleman**. Well, I thank all of you.

I thank you, Mr. Chairman, for these hearings. I think that whatever we draw up for our competitiveness part of the overall omnibus bill, I certainly want to stress this component because this is where the real payoff comes in our ability to be competitive for the next 10 to 20 years.

Chairman **Hawkins**. Mr. Coleman, may I ask you to describe the problem with the funding of the initiative that you had put into the higher education act.

Mr. **Coleman**. Well, the final product was that we had to fund Javits and G-pop at a set level before we receive any funding in this part. So what I am hoping we might do in this legislation that we are developing is to decouple that funding trigger so that this can stand on its own and be funded immediately. That is one of the things I think we could accomplish.

Chairman **Hawkins**. Thank you. I hope you will remind us of that later.

Mr. Williams.

Mr. **Williams**. Thank you, Mr. Chairman.

Gentlemen, I too am glad you are here. Your counsel is very helpful to us as we move to try to resolve some of these matters. Each of you mentioned in different ways the very serious economic vulnerability of America as we move into the remainder of this decade and the remainder of this century. That appears in very vivid ways to us; such as the decline of trade and the erosion of manufacturing capabilities. Many of you also spoke of the increasing need for a labor force that has skills honed in a different way than the labor forces of the past.

It seems to me that part of the difficulty with regard to that latter problem, that is, an appropriately skilled work force, lies in the fact that America is wasting so much of its potential talent because there are so many hundreds of thousands of students a year who do not go on to college for one reason or another. Most of them are low income or minority Americans. That is the great waste and abuse in the federal system.

We simply must tap that unused talent if we are going to successfully compete in the world. We have got to get that human capital in the bank.

My request to you is, give us your kind of nutshell, your best ideas for us. It is not that the federal government has not tried, with Pell grants and all the rest, but there is still an enormous amount of that capital not being properly used. What do we do? How do we get those low income and minority people to take on this education and arrive at these professions? Anyone, please.

Mr. **Dossey**. One of the things that I would suggest, and in the competitive bill you speak to summer workshops. And I think that some of those workshops could be targeted to developing skills of minority teachers in the new and emerging applications of mathematics and sciences to the work place. Until we have role models for students from—well, black, hispanic, American Indian populations to name a few—to emulate and to see as people who have been successful, I think we will make very little progress.

I think, secondly, and there were initiatives, both in the House and Senate a few years ago to deal with having business support for teachers from minority groups during the summer to keep them in the classroom and to also help keep them competitive. That would strengthen their ability to bring that instruction, and not only minority teachers but other teachers, to students from minority groups.

I think we have to establish and strengthen our teachers who work with those students, because in many cases there is not equal access of students to quality instruction within the United States.

At the same time we just protect those teachers, and that comes to a financial protection from being pulled off from education and into industry, because industry also is looking for role models. And what we have found, or at least within mathematics, is that the teachers and staff who work in those areas who are very successful have the same skills that businesses wish to have in those areas, and the salary differential sometimes is a factor of two or three.

Mr. LIKINS. If I may add to that, I would extend Professor Dossey's endorsement of the support for minority teachers to the college level. That means there must be every possible mechanism exercised to draw minority students, especially blacks and hispanics, into doctoral studies and through those doctoral studies into faculty life.

Echoing President Swearer's earlier suggestion, we must draw upon the talents that we find and nurture them, induce them if necessary, to pursue their education to the highest level at which they are able, and to become faculty members in this next generation.

If we do not succeed at that level, we will ultimately fail at the student level.

Mr. MORRIS. If I could get a little bit more basic. The real reason this country is behind, in my opinion, is we do not place a high enough priority in our whole society all the way across the board on education. Education is not our number one priority in this country.

A school teacher does not make the amount of money they could make driving a truck, or being a plumber, or something else. We do not revere and honor our teachers, and the children know that. They go to school and they say why the heck would I want to be a teacher.

When I was in school they expected a teacher to be God and the role model in every kind of life there is. Europe does not do that. And if you are in Germany or Japan and you are in school, you work, and the teachers are venerably honored. And that is our basic problem with education.

Now the Congress cannot do all these things, so it must do the problems that each one of these gentleman has talked and the other things that are tried, and Congress has tried. But until education, not just one level of education but until education is recognized by most of the people in America at least as important as defense, we will not have a good economy, we will not have a good defense because a guy sitting in a tank who does not know how to read the instruction book is not going to do it right.

And one of the programs we have produced called "Functional Illiterates" just around the corner has been sold to the Armed Forces, all of them; the Air Force, Coast Guard, Army, Navy, and it is to teach these people to read. They all have high school degrees, but they cannot do the things that the Armed Force needs them.

So I think the basic problem in this country is education at all levels is not recognized by our society at a high enough level. We do not pay enough, we do not do enough and there are pockets of it where you try, and I usually charge when I preach this way.

Mr. **Williams**. How are bond issues and mill levies and the like doing in your state? Are people down there as committed to educational excellence as you would like?

Mr. **Morris**. Some are, some are not. In the city of Jackson——

Mr. **Williams**. A majority though; is it a majority? How are the bond issues and mill levies doing? That is the——

Mr. **Morris**. In the cities, the larger population areas, Jackson, Biloxi, so forth, Tupelo, they pass bond issues, they have computers, they have television, they have the tools it takes, they pay their superintendents well, they pay their teachers well.

But when you get away from that tax base to the smaller tax base, they do not pay as well. The state itself spends a large proportion of its income on education. Now whether it is always doing right in every single instance, you cannot say. But television started trying to make education better than it was. We were on the bottom and the expert says this is a way to do it cost-effective since we do not have all these other things. But there is a genuine commitment in the legislature, among the business leaders toward education.

A group of businessmen went together and bombarded the legislature this session for more money for higher education. Higher education is losing teachers to other states. Our programs, doctoral programs and all those are hurting. Our dental school, or veterinarian school are all hurting, so the business people went together to get this. There is a commitment. To say that everybody is that way, it is not. Some people just do not want to pay and do not care. There is one program where we have people call in and ask their legislature questions, and one gentleman called in and said no taxes, no time, for no purpose.

Mr. **Williams**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Dr. Swearer, I have been advised you have a plane connection.

Mr. **Swearer**. Yes, sir.

Chairman **Hawkins**. If you have an urgent need to depart, we will kindly excuse you. But if you have some additional time, we would like for you to stay.

Mr. **Swearer**. I appreciate that, Mr. Chairman. I do have a 12 o'clock flight, but I would like to say one word. Too late. I will anyway——

Chairman **Hawkins**. We will give you the time——

Mr. **Swearer** [continuing]. In connection with this question.

Chairman **Hawkins** [continuing]. For a statement.

Mr. **Swearer**. There is a lot of work to be done and there are no simple answers. I think the country has been seized of this issue of primary and secondary education. I am delighted to see in one state after another led very ably by the Education Commission of the states, all kinds of work going on at the state level.

There is also a healthy development, I believe, where a number of universities are once again getting engaged with what is going on in the secondary and primary level with various kinds of institutes, bringing together college faculty members and high school and primary school teachers, and this is not limited to departments of education or schools of education, but across the board.

We are doing it in Rhode Island, Yale is doing it in New Haven. I am sure you have things going.

Mr. **Likins**. We are.

Mr. **Swearer**. So you are seeing one university after another, public and private, taking seriously its responsibilities to once again become engaged in secondary and primary education when for many years we were not very heavily engaged. Hopefully that will have a long run payoff.

Again, I appreciate being here before you, and I apologize for leaving early, but I must catch this plane.

Chairman **Hawkins**. Thank you.

Mr. **Swearer**. Thank you.

Chairman **Hawkins**. Thank you, Dr. Swearer.

Mr. Grandy.

Mr. **Grandy**. Thank you, Mr. Chairman.

My question is for Dr. Swearer. [Laughter.]

But I will redirect it to Mr. Likins.

Chairman **Hawkins**. Could you submit it in writing and we could ask him to respond in writing?

Mr. **Swearer**. Peter Likins knows everything I know.

Mr. **Grandy**. Sure.

It involves the testimony concerning the need for the number of science and engineering fellowships sponsored by federal agencies. Both of you mentioned and refer to fellowships, redirecting dollars for research and development and creating a cadre of more highly educated scholars.

What I do not hear in this testimony, and what I am concerned about, is where the private sector fits in. Traditionally there have been grants and fellowships. Is that diminishing now? Is it increasing? Are they aware of the diminished competitiveness that would directly affect corporate life?

Mr. **Likins**. Of course they are. They are acutely aware. They are much more involved with us in the agonizing examination of these concerns than they have ever been in my experience through the Business Higher Education Forum most notably, through the Chamber of Commerce. In many, many different fora, businessmen, educators and often times also congressmen have been sitting down together to struggle with these questions.

But you must understand that if you are running a company while you are prepared to pay your taxes and you are prepared to volunteer your people and you are prepared in a variety of ways to make investments that are focused and that have a prospect of return to your company, you cannot as an individual company assume the obligations of the society individually. You must do that collectively.

You might join an industry-wide consortium in the semiconductor field and fund some research and development in universities through that consortium, because then all of the participants in the industry are in some sense taxing themselves and generating a return to themselves.

But the importance of the return to any private sector entity simply must be acknowledged. That is the nature of our system. When there is an investment required that has not only a long term return but a diffused return, one that goes out pervasively to the society as a whole, then most corporate leaders would say to you that is a proper role of government. And if it takes taxes as the mechanism to generate the resources to accomplish that objective, so be it.

I have in the last several years sat around the table, I cannot tell you how many times in various committees and commissions and panels and so on with combinations of corporate people and university people, and these are I must say corporate people who have a national perspective and a concern for the problems of society. And repeatedly these people, conservative business people, have insisted that there cannot be an abdication of responsibility by government and an expectation that the private sector will somehow step in and fill the void. It will not happen.

Mr. GRANDY. Please don't misunderstand me. I am not suggesting that it should. I am wondering if we are limiting our options by not providing more incentives to the corporate sector to retrain, to provide more fellowships, and perhaps to form these consortia that you are talking about——

Mr. LIKINS. Well, that I would——

Mr. GRANDY [continuing]. To aid and abet higher education and train the generation that is now missing.

Mr. LIKINS. Excellent. There are many things government can do that will facilitate industrial corporate participation in the solution of these problems in the universities. For example, R&D tax credits, OK?

Mr. GRANDY. I am not familiar with all of the ramifications of that sector of the bill. But when we are talking about R&D, do training and offering fellowships, fall under that general category of R&D?

Mr. LIKINS. It can, but that is a question of detailed structure. Understand that in our university system in America and contrast to that in many nations of the world, education and research are so intertwined as to be inseparable. And when we put corporate money into the research laboratories of the universities, we are strengthening the training or education programs. We are providing graduate students as well as research faculty with an opportunity to work with modern technology so that when they step out of the university into the industrial community they will know what tools to use, and they are current and modern and able to themselves be competitive.

So I do not like to see the kind of sharp differentiation at the university level between research and education that we sometimes see. We can more realistically expect private industry to invest in research than in training. More realistically expect them to commit to instrumentation in the laboratories than fellowships for graduate students, although there are notable examples.

I am at Lehigh University and General Motors has at Lehigh over the years funded doctoral level fellowships with the objective of training young men and women who will go on and become university faculty. There are those occasional selfless corporate policies. Exxon had such policies. IBM has sponsored such programs.

But you must understand that that is going to be the exception and that is going to be the response of a very large corporation. Bell Labs has done a lot of that over the years. A very large corporation that has such a large role in the economy of the society that they feel that they get a return on their investment.

Mr. GRANDY. I guess I am hearing you say that you do not feel it is wrong to think about seeding their interest a little bit by providing incentives for them to offer retraining, and perhaps contributing to that talent pool.

Mr. LIKINS. That is correct. I agree with you. You simply must understand the need to structure situations in which they are encouraged, induced, rewarded for participating in education and research in the universities.

Mr. GRANDY. Thank you.

Mr. Morris, one question for you. I am intrigued by the use of Mississippi ETV and I wanted to ask you one thing. I understand and have seen how helpful television can be in reinforcing and training basic skills. But when you say that it has the capacity to assist in training for industrial competitiveness and should be encouraged, are we talking about job retraining here? Can that be done via television?

Mr. MORRIS. Some of it can. But if you cannot read and write, you cannot do anything anyway. And some of these people are that basic, and you really have to get to it and TV starts that and then it can go all the way up to.

And let me segue that into a point of when children are 8 to 12 years old, they are being formed in what they are interested in, and you need some role models and you need some input, and IBM and some companies are helping support things like this math program, Square 1, 3-2-1 Contact, like that, and it can help move children in the area of math and science.

But in the area of training for industrial, we tried a number of things, all the way from training workers to be supervisors via only TV. Oklahoma has gone into the plants and other places have tried this. If we can think of it, we will try it.

And we have tried to, in the competitive sense, the education of the children and of the people all the way up through graduate school is what is going to affect our economy. And if we have got children that drop out, if we have got them that are not prepared that do not want to go into the things we need, math, science, languages and all of those things. So anything you do in this area helps move it in that direction.

I can give you a long list of programs and with every program we have got, we do a study on it. We have goals for that program and how it works. And we have done some research. Research is expensive, but we have had classroom situation. We have now a math program done by AIT and we are testing two groups, one with TV and one without, and we are doing it through Mississippi State University, and it will be a scientific setting, and it will show whether or not the television did better or worse. And you can apply that.

But one of the biggest needs is the functioning illiterate people and that varies all the way from cannot read to can read a little bit to do not care to, you know, all the way up. And every time you light a little spark in there in any one of the programs, you have done some little bit of good.

But what we really need to get off the bottom is to have a train of education be important from the child's home life to kindergarten, on through school, on through whatever level that their intellect will take them, to the graduate schools. And we need to have money for people. I have got two kids going back to college, and as soon as they get out they are going to be broke for 10 years paying back the loans from a bank, because I cannot afford to send them all. So this all hurts.

But all of these programs in science and so forth, all of the things that have put this country up so that Russia can steal everything we have got, excuse me French, but all of these things that have made us that way have started with our education.

I do not know if I answered your question or not.

Mr. GRANDY. Actually I want to follow up on something that the Chairman addressed in his questions, and that is cushioning the shock for somebody that has to go back into the work force. In my case I am referring to dislocated farmers, and their wives who may be returning to the work sector for the first time since leaving school.

Consider also the use of television. Being on the Agriculture Committee, I am thinking of the dollars that are being pulled out of the Extension Service that might be redirected toward a television or telecommunication capability through a renewed Extension Service to help in retraining in a sensitive manner. It is very difficult, of course, for someone who has been in agriculture to come to grips with a sagging agricultural economy.

Do you see a role for television there? Do you see a means to help the whole family restructure and retrain?

Mr. MORRIS. Do not think of television as being just over-the-air broadcast. If you broaden it to telecommunications, yes. You can tie a computer to a television set, to a video tape recorder and have interactive training.

Federal Express in Memphis, Tennessee came to us and we now have a program where they train in everyone of their different jobs with this thing. The person that is going to be trained has a book, they read it and then they talk to this machine and the machine tells them through the computer interactive video disc, they tell them they did not do it right or they did, and it is motivational, too, working with the computer and the television tied together.

There are just all sorts of innovations that you can do to do your job whether it is agricultural, industrial or what. It takes a little money to put these things together. Some you can do over the air, some you can do on subcarriers, some you can do in different ways.

But, yes, there is a role, but somebody has to put that together. Research department of the university, a state department of education, a local community. Wisconsin has done a lot of things with computers and television, making them work back and forth. And the imagination of a person who wants to do this can make it work. There is a role to play.

Mr. LIKINS. May I extend that response?

We have an educational technology program at Lehigh University and it has been our experience that, as Mr. Morris says, the interactive video experience is a much more effective learning experience than broadcast television. Of course, it is also more expensive. So there is a proper role for broadcast TV. But when you conduct measurements of the learning process, you learn very quickly that the passivity of the receiver in broadcast television is an enormous obstacle to learning, especially if that is an adult who has been watching television passively for years and is accustomed to tuning out most of what he or she hears or sees.

It is important to somehow engage them, engage the learner so some kind of interaction with as rapid a feedback as can be achieved is strongly desirable.

Mr. MORRIS. There is enough work for all of us really.

Mr. GRANDY. Thank you, Mr. Chairman.

Chairman HAWKINS. Mr. Owens.

Mr. OWENS. Maybe the answer to my question is contained somewhere in some of your testimony, but I would like to see if we can simplify it.

Just in terms of volume and, Dr. Likins, I think you pointed out that it is useful to make comparisons with something and I will just talk about achievements in general terms. In terms of volume, how does our production of scientists, technicians, engineers compare with the production of scientists, technicians, engineers and I might add linguists also, which is also important, in the Soviet Union or Japan? Can you summarize that? Is it 2 to 1 or 10 to 1?

Mr. LIKINS. There is a joke that goes around that says that the Japanese produce four times as many engineers per capita as we do in the United States, but that is all right because we have seven times as many lawyers as they have.

I am not sure those statistics are precise in either event, but they are approximately correct. Four times as many engineers per capita come out of the Japanese educational system as the United States.

Mr. OWENS. What about the Soviet Union?

Mr. LIKINS. I do not know, and I think that the answer would require careful interpretation. There is a much higher fraction, that is to say, much higher production of engineers per capita in the Soviet Union than in the United States. But what is an engineer? That is a question that you have to resolve, and you cannot take it for granted that you get the same answer in two different cultures.

In most cultures, European or even in emerging developing nations, there is just a higher priority attached to mathematics and science, to quantification in learning than is the case of the United States. We have a kind of predominantly verbal tradition.

Mr. OWENS. What about linguists, do we excel in the production of linguists and foreign language experts——

Mr. LIKINS. No, we do not.

Mr. OWENS [continuing]. Foreign cultures?

Mr. LIKINS. I have just said we have a predominantly verbal tradition, and I will stand with that, but because we have been physically isolated in this once large, now increasingly small world, we have not developed a pattern of skills in other people's languages.

We have strong linguists in the sense of linguistic departments in the most prestigious of our universities, but we do not have a pervasiveness of familiarity with other people's languages.

Mr. OWENS. You have no idea how the numbers compare.

Mr. LIKINS. I cannot quantify it. Perhaps others can.

Mr. OWENS. Anybody have any idea of how the numbers compare in terms of the number of Japanese language teachers being produced, English language teachers? Let us narrow it down.

Mr. DOSSEY. I cannot respond with respect to the number of Japanese English language teachers, but I can give you some data from Professor Isaac Verza, who has testified here before from the University of Chicago, who has just completed a study of the productivity of Russian school, secondary schools and our schools.

At present they are outperforming us in bringing students through the study of calculus at the advanced placement level. If you are familiar with the advanced placement program run by the College Board, at a factor of 10 to 1. They are training somewhere in the neighborhood of 600,000 students per year through integral and differential calculus by the end of the eleventh grade. We are bringing essentially 60,000 students to that level by the end of the twelfth grade.

So not only are we behind in a temporal sequence, we are clearly behind in a quota sequence.

Mr. OWENS. Is our education suffering from a long entrenched attitude or philosophy, unspoken maybe, of elitism where we did not aspire to produce many people in those areas?

Mr. LIKINS. I do not believe that is characteristic of our educational system. I think quite the opposite is the case. In most other cultures of the world, there is not the commitment to access to education that we find in our own society. Certainly that is true at the post-secondary level.

Mr. DOSSEY. I might add to that. In the international study, just to make a few points that are kind of global findings, was that our curriculum in the United States in mathematics, and I think the same could be said for science although that study's results have not been formally released yet, they should be out within a year, show that our curriculum somewhat is adrift.

There is a lack of consensus of grade level placement on students, and that is due to the fact that educational goal-setting is a local option, or a state option at best in the United States. That our elementary schools as well as our secondary school programs are crammed with mandated programs that try to address every societal ill and every ill that can be pushed through a legislature, and there is very little focus in the elementary grades on the core curricular areas.

As a result of that by the time students have reached middle school, they are already a full year behind their colleagues on the international educational scene.

There was no data, and I emphasize this, there was no data in looking at the cross-sections at the eighth and twelfth grade levels that would indicate that our teachers were less prepared in subject matter material, nor were they less prepared in specific preparation to teach mathematics than their colleagues at the international level.

However, they taught more hours per day. They had slightly higher student loads in terms of the number of students they had to deal with a day. In other words, the context in which they delivered that instruction put more loads and demands upon them both in terms of preparing for numbers of classes and numbers of students to interact with.

And I think that those are some of the issues that have to be addressed if we are going to make some changes. Getting a national consensus, getting support for the teachers in the classroom and for the conditions in which they have to deliver that instruction, and finally, recognizing that mathematics, reading, communication skills and science are very core and central areas of even elementary school programs.

Mr. LIKINS. May I return to the elitism question. It concerns me. You must recognize that in Japan and in those Western European nations that I am familiar with, the educational system differentiates among talents in a way that ours does not, and determines who gets to go on to college and what kind of college in a way that our system does not.

We have made a commitment in our society that I think we would all endorse and feel deeply committed to, the commitment to access, the commitment to permitting all of our young people, at least in theory, to advance their education to the limits of their capacity.

In other societies that commitment is not there. And so a great many young Japanese kids get out of the counterpart of high school and do not get to go to universities. They failed in their tests and do not get that higher education that we insist is at least theoretically the birthright of all Americans.

Now I think in the last 20 years we have backed away in fact from that commitment that was once a shared objective of American leadership. But still the educational system in America is constructed for the purpose of serving all of our people. That is not true in Japan, that is not true in Europe.

Mr. OWENS. But we have only a limited number of places at our world class schools. Twenty top colleges and universities have a limited number of places, which leads me to my next question about national standards. I think all of you have recognized in your testimony that we have to deal with this problem of education from the cradle to the grave. You cannot just talk about higher education, or retraining people who are thrown out of work, that we have got a problem from one end of society to the other.

Should there be national standards similar to the kind of standards you talked about with respect to the laboratories and scientific equipment, or should we have standards which sort of give us some idea as citizens what the effort—what effort is being put forth as a result of the dollars we put into a system?

For example, in New York City I think that the amount spent per pupil is about as high as it is in any large city. We spend a good bit of our money in the public school system. In the public colleges and universities, some of our professors earn higher salaries than they do in the Ivy League colleges and universities. But you will find that in the public schools they have no books. They have not bought books in the library for the last 10 years.

Black children cannot find Zimbabwe or Zaire and some of the countries of Africa on the globes and the maps that they have.

In the colleges and universities, you have similar problems. The amount of money being spent on salaries may be very impressive, but the amount being spent on equipment, being spent on libraries is not.

Should we have some national standards—that's just one kind of national standard—with which to help guide citizens in terms of what kind of return they are getting on their dollar?

Mr. LIKINS. I understand the impulse to call for a set of standards that would enable the taxpayers to measure the return on their investment, and I think that at a certain level, let me say for example at the level of establishing minimum standards for high school graduation in terms of literacy and elementary proficiency in mathematics, that is probably a reasonable expectation.

Mr. OWENS. That is a standard for the student, but in terms of what effort was put forth to educate that student, we do not have any standards. No standards for the apparatus, the administration and the teachers and the governors that might have, if it had performed differently, allowed that student in the twelfth grade to pass that test if he had been subjected to a different kind of system. We do not have any standards for that; only for the student, who becomes sort of the victim in that situation.

Mr. LIKINS. I do not know how to devise such standards. What we normally do is measure the quality of our work by the product of that work. In order to do that you have to be able to measure, if you will, the value added to the student in the course of his years in transition through an institution. And what we do in our society is accomplish that objective by competition, by various institutions competing with each other through reputation for producing an educated young person. That is the only mechanism that I can imagine that would actually work.

I am afraid if you create let me say a bunch of performance measures for high school teachers in terms of numbers of hours they do this, or number of hours they do that, that you will create an artificial structure that will not really mean anything.

Mr. OWENS. Dr. Likins, when is a high school chemistry lab a sufficient, adequate chemistry lab and when is it not? When is a computer program in a high school an adequate one and when is it not? To just have some salesmen who are very adept at selling the education system hardware, put a lot of computers in the schools but there is not a single technician that can fix—that can repair them when they break down. Is that an adequate—can we get standards which deal with those kinds of problems?

Mr. Likins. There are such standards. Ask the university admissions officers whether the students who come out of a particular high school are qualified in terms of their chemistry education. They can answer that question. But I do not know how to do an audit of the chem lab to determine whether or not the students are learning chemistry.

Mr. Dossey. I might mention that the National Council of Teachers of Mathematics at present has a commission who will be working this year in releasing a draft at the end of the summer for a full year of national hearings at both regional conferences of the council as well as associated organizations this year, dealing with what both practice, research and I think total professional experience suggest are appropriate benchmarks for a child's progress through the mathematics curriculum from early childhood education through twelfth grade. That might bring some sort of not a national curriculum, but rather some standardization in schools looking at their individual curriculum vis-a-vis the best professional and research-based information available today.

It is a pervasive problem in mathematics as well as many other sequential types of subjects where one must have studied A before they move to B, that there is this kind of a look at the curriculum. And given the mobility of our population, and especially the mobility of families that have children in school, when you have such sequential subjects not to have some sort of a reference point provides children with the opportunity when their parents move to actually be opted out of the sequence of learning.

I think that there are other subject matter areas that are considering such looks at not necessarily standards, but at least professional guideposts.

Within teaching, the Carnegie Foundation has funded a planning group for a National Standards Board for essentially a certification of teachers which would be akin to being admittance to the Bar for lawyers. Once a teacher has achieved licensure within a state upon graduation from a program, they would be legally empowered to be a teacher, but the question is of achieving a specialist certificate within an area.

So I think that type of movement is abroad, and the next few years will say what the outcome and ramifications of those movements might be.

Mr. Owens. Thank you very much.

Chairman Hawkins. Mr. Sawyer.

Mr. Sawyer. Thank you, Mr. Chairman. I appreciate your patience. I apologize for not being here the entire time this morning.

You have touched on a subject and gone into greater detail than I expected. But in talking about the character of education in this country versus other countries, and the selectivity of the process, I think what has happened is that we have let a practice evolve as a matter of practical application in many of the school systems in this country. We permit the reflection in the places of learning, particularly secondary schools, of a condition that at least at one point in our society was reflective of the work place itself. It may have been true at one time. However, it seems to me it may not be true today and it certainly is becoming less and less true. We are reaching the point where the distinction between blue- and white-collar workers is becoming so blurred as to be indistinct.

And that one of the shifts we may want to be making is not specialization, but assuring that broad menu of opportunities to learn is fully available all across that learning spectrum within secondary schools.

So that a kid who may nominally have embarked on what once might have been thought of as a vocational track, still has the opportunity to take foreign language, still has the opportunity to take calculus or trigonometry or other kinds of mathematics, or science courses that might not otherwise have been available. That is perhaps a more accurate reflection of the rapidly changing character of the work place and a better preparation for it than the kind of direction that have today which, however well motivated, is based on greater specialization rather than less.

Could you comment on that?

Mr. LIKINS. As long as you remember that not every human being has the same aptitudes and that calculus may be an inappropriate waste of time for some human beings, as long as you keep that distinction in mind, I would agree with the thrust of your remarks.

That is to say, I do believe that our society has evolved in such a way that we must be sure that all young people develop certain basic skills in communication and in quantification. That is to say, in language and in mathematics, all human beings.

It is wrong for us to say, as perhaps we once could, that is okay, that kid is just going to be a blue-collar worker anyway. We will channel him into a vocational track and not worry about him. It is wrong to say that today. Every young person has to expect in the course of his or her working life to use intellectual skills to read, to write, to deal with basic quantification.

Mr. DOSSEY. I would second those remarks, and perhaps extend them in a little fashion. That within the vocational track where several students have been shunted, perhaps on aptitude or interest measure, they have not had the opportunity to develop both their reading and oral communication skills in a manner that is commensurate with the demands of the work place today. In many cases they have been in situations where the skills in particular careers that are the objects of study in those programs do not reflect the ubiquitous use of the microprocessor within technical setting, or the amount of report writing and graphic and table interpretation that is required, or data entry skills.

All one has to do is be on a large modern farm to see the microprocessor involved in spraying technology, planning and even planning for the marketing of crops.

Mr. LIKINS. If I may go a step beyond the need to prepare people for jobs, it seems to me important to recognize that our society is changing in such a way that citizens have to have a level of understanding that was not demanded of them a generation or so ago.

People vote on all kinds of complicated issues like, you know, nuclear energy or technological changes that affect their lives, and if they do not have some basic understanding of primitive concepts like risk, they cannot deal with some of the issues that shape their daily lives just simply as citizens.

Chairman **Hawkins**. Mr. Wise.

Mr. **Wise**. Thank you, Mr. Chairman. I appreciate what I have heard and I have no questions.

Chairman **Hawkins**. The Chair would like to commend the witnesses for their testimony this morning. I hesitate to keep you much longer because you are not being remunerated for your appearance before the committee. I think the witnesses have been excellent. Your statements have been directly related to the subject at hand. We certainly appreciate the time that you have given to this committee. We hope that we can call on you again in the future and that you will return and that you will share with us your experiences. I think this has been an excellent hearing. The hearing is adjourned.

[Whereupon, at 12:01 p.m., the committee was adjourned.]

EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS ACT

WEDNESDAY, MARCH 11, 1987

House of Representatives,
Committee on Education and Labor,
Washington, DC.

The committee met, pursuant to notice, at 9:36 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins, presiding.

Members Present. Representatives Hawkins, Ford, Biaggi, Kildee, Murphy, Williams, Martinez, Sawyer, Solarz, Wise, Richardson, Robinson, Visclosky, Jontz, Jeffords, Goodling, Gunderson, Bartlett, Henry and Grandy.

Staff present. John F. Jennings, Counsel; Birdie Kyle, legislative associate; Beth Beuhlmann, education staff director; Andrew Hartman, senior legislative associate; Jo-Marie St. Martin, legislative associate.

Chairman Hawkins. The Committee on Education and Labor is called to order. The committee is conducting a hearing today on two topics, and Secretary Bennett will testify on both of them. The first topic is the reauthorization of Chapter 1 and the other the expiring elementary and secondary education programs. The second topic is legislation which has been introduced creating education and training programs to assist in improving our country's trade balance.

We look forward to hearing from the Secretary on these topics. The Chair will not make a statement at this time, because I think that we had previously indicated the general theme of the hearings.

And I think that the members are familiar with the original intent to report a trade bill that will be bipartisan in nature, that would build on the previous trade bill that we participated in last year, and to work towards the strengthening of those provisions that we had last year. And that we must proceed rather diligently because we do have a serious target date.

It is the intent to report a bill out by April 6th or 7th. And for that reason, we have advised the subcommittees to submit recommendations, to involve both the Republicans and Democrats in any staff meetings that are being held. And we hope to hold to that schedule and to have a trade bill reported out which has bipartisan support.

Mr. Jeffords, do you wish to make a statement?

Mr. **Jeffords**. Thank you, Mr. Chairman, and I certainly appreciate your cooperation in all of these areas in coming out with a good trade bill. I want to welcome the Secretary here today. I know that the Administration is also coming forward with some interesting proposals on what to do, in helping this country regain its competitiveness, and to be again the number one leader in the question of world trade.

So it is a pleasure to have you here, Mr. Secretary, and I look forward to working with you.

[The prepared statement of Hon. Jim Jeffords follows:]

PREPARED STATEMENT OF HON. JIM JEFFORDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VERMONT, DATED MARCH 11, 1987

Mr. Secretary, I would like to thank you for joining us today. As you know, this Committee has been working on the reauthorization of many of the federal elementary and secondary education programs under its jurisdiction. It has been nearly ten years since Congress carefully studied these programs, so I feel that this is an especially important reauthorization period.

The Committee has gone to great lengths to get as much information, testimony, and feedback on what works and what needs improving in this set of programs. This has included traveling to Vermont to hear from educators, parents, and students about how they work in a rural setting. Let me say that one message came through loud and clear at that hearing, Chapter 1 and Chapter 2 are vital to the education of Vermont youngsters.

I was pleased to see the Administration's request for additional funding for Chapter 1 in fiscal year 1988. This would allow the program to continue at approximately the current services level. I have also reviewed your Chapter 1 reauthorization proposal and would note that there are many areas on which the department and this Committee appear to agree. Working together, I hope that we can strengthen parental involvement, create more incentives for success, and target funds on those areas most in need of these types of services. Through all this I will be working to ensure that any proposals take into account the special situation of rural areas, such as Vermont.

Chairman **Hawkins**. Mr. Secretary, I join that welcome, and we look forward to your testimony. It has been submitted to the committee, and it will be inserted in the record in its entirety.

[The prepared statement of Hon. William J. Bennett follows:]

TESTIMONY OF
WILLIAM J. BENNETT
SECRETARY OF EDUCATION

BEFORE THE HOUSE COMMITTEE
ON EDUCATION AND LABOR
March 11, 1987

Mr. Chairman and members of the Committee, I am pleased to be here today to testify on education and its relationship to national competitiveness. As you know, the President has made enhancing competitiveness one of his priorities for this year, and he has identified education as one of the areas crucial to improving our national competitiveness.

Competitiveness involves many things, among them matters like technological innovation, worker retraining, and freer trade. Appropriately, these and other issues are addressed in the Administration's competitiveness legislation package. At the same time, when we speak of competitiveness we are speaking of a goal much larger than these: we are speaking, in the long run, of securing a good future for our children. We want to be sure that we leave our children a strong America. And, at the same time, we want to ensure that our children possess the knowledge, skills, and character they will need to lead the nation in the years ahead.

In the last two months, I have been outlining to parents and educators, businessmen, and State and local legislators the objectives that I consider most essential to achieving educational competitiveness. I have said that we need to focus on the basics and on high standards; we need alternative certification of teachers and principals; we need increased accountability; and we must devote special attention to the education of disadvantaged children.

In achieving these goals, the Federal Government is not the key or decisive factor. Some reforms -- like teacher certification -- lie almost exclusively within the province of State and local governments. And even where a Federal program is involved, that program's success depends on its deployment at the local level. Yet there are certainly ways in which the Federal Government can help promote these goals, and we have sought, wherever possible, to incorporate them in our education legislation before the 100th Congress.

I have spoken, for instance, of the importance of basics. The Administration has recommended that every American student receive four years of English and three of math, science, and social studies before graduating from high school. These subjects constitute the firm foundation of any education, and when our schools neglect them, they diminish the futures of students and the nation alike.

It is no slight to math, science, and social studies to say that facility in English is the most basic of basics, indispensable to both a sound education and a successful working life. It is in order to improve the instruction of English to students of limited English proficiency that we have submitted our proposal to reform and strengthen our $143 million Federal bilingual program.

Under current Federal policy, all but 4 percent of Federal funding for bilingual education is restricted to school districts employing that method of English instruction which relies on teaching students in their native languages as they learn English -- the method known as Transitional Bilingual Education (TBE). Research indicates, however, that there are other methods that are often equally effective in teaching English to students of limited English proficiency. One such method, known as Structured Immersion, relies on teaching students in English, but by teachers who know the students' native language, and in a way that is structured to take account of the students' initial limited English proficiency. In another method, English as a Second Language, students are taught almost entirely in English.

Under our proposal, current restrictions on the amount of Federal funds available to local programs employing these and other alternative methods would be lifted, allowing individual districts to choose the method best suited to their particular needs. Districts might choose Transitional Bilingual Education, or they might opt for another method or a combination of methods of instruction that have proved to be effective.

Let me be clear: Our intention is neither to promote one instructional method at the expense of another, nor to belittle or diminish any culture or heritage. Far from it. As I said when I first proposed reforming our Federal bilingual program over a year ago, "We do not intend to prescribe one method or another. Many school districts will undoubtedly continue to pursue programs with some instruction in the native language; in some circumstances, these can be very useful in helping children with their classwork until they become fluent in English."

In my own visits to schools around the country, I have seen the effectiveness of a variety of methods of English instruction. In Phoenix, Arizona, I visited a kindergarten class at Garfield Elementary School, where I saw an excellent Transitional Bilingual Education program at work. In Mesa, Arizona, I visited Powell Junior High School, where the students speak over a dozen different languages; there I saw an English as a Second Language program working very well. Both programs were good; both were working. And both of these options, and others, should be available to recipients of Federal aid. This is the goal of our proposal. We believe that it would be instrumental in improving the education of the disadvantaged by enhancing their education in the basics.

The Administration's teacher training and improvement proposal also is concerned with improving education in the basics. Our proposal would provide States and locales with funds to help recognize outstanding teachers, and to help attract qualified people from other professions into teaching; again, both are changes instrumental to enhancing educational competitiveness. Most importantly, our proposal would extend to teachers in all fields that which only teachers in math and science currently enjoy: the opportunity to pursue advanced study in the subjects that they teach, or to undertake the mastery of a second subject.

Currently, in-service training and advanced research programs fail to provide teachers sufficient opportunities to pursue knowledge in the subjects they teach. These programs seldom provide teachers the opportunity to renew the knowledge and enthusiasm which in many cases are their first inducement to teaching, and which it is their primary responsibility to impart to our children.

Our proposal would provide teachers that chance; it would give teachers an opportunity to recharge their intellectual batteries. It would enable an English teacher to freshen his knowledge of Macbeth, or a veteran science teacher to acquaint herself with the most recent discoveries about the stars and planets. A history teacher might study the latest scholarship on the British monarchy, or a mathematics teacher might investigate a variety of questions too complex to tackle between classes. Teachers would have a new opportunity for probing intellectual inquiry. And they would enter the classroom with even more contagious enthusiasm to convey, and knowledge to impart.

Finally, allow me to address our proposal for the reauthorization of the Education Consolidation and Improvement Act of 1981 (ECIA). As I have said, one of education's most important contributions to national competitiveness is tending to the education of the disadvantaged. This is an area where the Federal government plays an exceptionally prominent role: assisting with the education of the disadvantaged is one of the Federal Government's most important responsibilities in education, and it is one of my top priorities as Education Secretary.

Chapter 1 is the principal programmatic vehicle for providing that aid. On the whole, Chapter 1 has been moderately successful in improving the educational performance of the disadvantaged. Yet I think we would all agree that Chapter 1 could be more effective. It has not achieved all that we hoped or expected, or all that we should expect of Federal educational assistance to disadvantaged children.

Where Chapter 1 is most in need of shoring up is in the way it is deployed at the local level. In education particularly, what goes on locally -- in individual schools and classrooms -- is crucial in determining a Federal program's success. It is a more important factor in the equation than the overall level of funding. For this reason, the most important step we can now take toward better serving the Nation's disadvantaged children, and better fulfilling the promise of Chapter 1, is improving Chapter 1 services at the local level. The Administration's proposal for the reauthorization of Chapter 1 would help bring about that necessary improvement.

In drafting our proposal, we have sought views and ideas from educators, legislators, and the general public. We have also consulted what is known as effective schools research. This research was conducted primarily in inner-city schools that have been especially effective in educating disadvantaged students. It is my belief that, where possible, it should be the goal of government -- in the States and in Washington -- to promote the characteristics of these successful schools through public programs and policies. The reforms we propose in the Federal Government's largest elementary and secondary school program are our way of doing that; they are our way of bringing the education reform movement to the Federal level. This proposal is one more effort to make what works the currency of the realm in education.

Note that the nation's governors are also moving in this direction, as exemplified by numerous reform efforts at the State level, and by the report of the National Governors' Association, Time for Results. Last month, the National Governors' Association adopted a platform on the Federal role in elementary and secondary education. The governors stressed that the Federal Government should respect the States' responsibilities to set high standards for all students, allow parents to be teachers, and help States reward performance and focus on the neediest schools.

One of the defining characteristics of effective schools is that they concentrate on results -- they are results-oriented: they constantly assess their performance, codifying what works and reforming what does not. In several important respects, we have embodied this emphasis on results in our proposals for Chapter 1.

First, we aim to reward success. As any businessman knows, rewarding success is essential to effective management; any educator knows that it is essential to effective education as well. Yet currently under Chapter 1, good and bad programs are rewarded equally: both can count on receiving essentially the same funding and the same treatment year in and year out, regardless of the caliber of their performance.

Under our proposal, this would change. Our bill would create a set-aside at the State level specifically for rewarding success; the States would make grants to school districts for replicating or extending highly effective Chapter 1 programs.

Second, our proposal would make Chapter 1 more results-oriented by instituting greater accountability. Currently, just as there is no reward for a Chapter 1 program that works effectively, so there is little penalty for one that runs awry. Our bill would introduce greater accountability by requiring each State Education Agency to assess the effectiveness of its local Chapter 1 programs at least once every three years, and to make the results of that assessment available to the general public. Where the State agency finds a program to be ineffective or inequitable, the agency would take whatever measures are necessary to put that program in order. The State Education Agency, not the Federal Government, would decide on specific remedies.

Third, our proposal would increase accountability by increasing parental choice. Under the proposal, local districts would be permitted to issue Compensatory Education Certificates to parents of children receiving Chapter 1 services. If a local district chooses to offer the certificates, parents could redeem them at the local public school or, if they felt that better remedial assistance was available elsewhere, they could take the certificates to another public or private school or other eligible provider in the area offering compensatory services.

The Compensatory Education Certificate and other provisions in the proposal would also foster parental involvement -- another feature that researchers say is key to the success of effective inner-city schools.

In addition to ensuring that the children served by Chapter 1 are served well, our proposal includes provisions to ensure that it is the neediest children who are being served. We have included provisions intended to direct more funds to districts with especially high numbers of poor children; to direct funds to the poorest areas within districts; and to ensure that districts provide services not simply to some of their needy students, but to the very neediest among them.

We have also sought to remedy discrepancies in assistance to disadvantaged private school children caused by the Supreme Court's Felton decision. An important feature of the original Elementary and Secondary Education Act was its intention to serve disadvantaged students in public and private schools alike. For more than 20 years now, the principle that eligible children will be served, no matter what school they attend, has been at the heart of Federal aid to education. Since the Felton decision, however, the number of private school children participating in Chapter 1 has declined by about 20 percent, and the cost of serving those students has significantly increased. Our proposal would help restore services to private school children by enabling school districts to issue Compensatory Education Certificates, and by requiring State

Education Agencies to step in and correct deficiencies in local districts that do not provide effective and equitable services to private school children.

Finally, we have sought to provide districts more room for experimentation and innovation in the best ways to educate disadvantaged children.

These are some of the ways in which our proposal for the reauthorization of ECIA would help fulfill the promise of Chapter 1. These reforms accord with the priority already given education programs serving the disadvantaged in the Administration's budget. In this year of tight fiscal restraint, we have proposed a $200 million increase in the funding of Chapter 1.

Allow me briefly to discuss Chapter 2. In our proposal, our intention is to grant States the flexibility to apply Chapter 2 funds for any purpose directly related to education reform and improving educational quality. It is the States, not the Federal Government, that have the authority to institute the sorts of education reforms advocated in recent education reports like _A Nation at Risk_, _What Works_, _First Lessons_, and the governors' _Time for Results_. Freeing States to use grants for this purpose is one of the more important ways in which the Federal Government can help speed the movement for education reform.

These, then, are the key elements of the Administration's proposal for the reauthorization of the Education Consolidation and

Improvement Act. It is a strong proposal, and we are pleased that, in several important respects, the bill introduced by Chairman Hawkins and Representative Goodling closely reflects our concern for results, accountability, and actual educational performance. We welcome this increasing consensus on what works, and I hope that further discussion will bring us closer on other commonsensical ideas instrumental to furnishing effective education, particularly to the nation's most disadvantaged children. Mr. Chairman and Members of the Committee, I appreciate this opportunity to testify before you today, and I will be happy to answer any questions that you may have.

Chairman **Hawkins**. You may proceed, and I hope that you will introduce your colleagues who are with you so that they, too, may be included in our record.

STATEMENT OF HON. WILLIAM J. BENNETT, SECRETARY OF EDUCATION, ACCOMPANIED BY WENDELL WILLKIE, GENERAL COUNSEL; AND BRUCE CARNES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

Secretary **Bennett**. Thank you, Mr. Chairman, and good morning. Let me introduce my colleagues, as you suggested. On my right is my General Counsel, Wendell Willkie; and on my left is Deputy Under Secretary Bruce Carnes.

If I could just take a few minutes, Mr. Chairman. I have submitted my formal statement for the record, but if I could I would like to talk through several of the points that I think will be of interest to all of us, and try to put some of these issues in a broad context.

It is, of course, a pleasure to appear before this committee to speak about education. Let me start by speaking about education and its relationship to this idea of competitiveness.

The President has made competitiveness a priority. He has identified education as an area crucial to it. I think that we can all agree on that idea. What do we mean by competitiveness? Well, clearly we mean things like technological innovation, worker retraining, freer trade, and so on. All of those items and others are addressed in the Administration's package.

But I think that in the end that we mean something more for competitiveness. We want to secure a good future for our children. We want a strong Nation, and we want our children to be prepared to lead this country when it is their time to lead this country.

In the last two months, I have been saying in regard to competitiveness that the things that we need most to improve our educational system are to return to the basics, the basics which have been tested and which work. We need leadership in our schools. We particularly need greater accountability in our schools. We need more effort and more commitment in this area. And, we need to improve effectiveness.

We need to pay attention particularly I think, and I know that you join me in this and indeed have a long record of concern on this matter, to the education of the disadvantaged. I think that we have shown as a country and we have tried to show specifically through our studies and research that this country does not have to accept the notion that there is a permanent underclass impervious to upward mobility and impervious to educational progress and to educational achievement.

The sweat, toil, and pride of people in America's classrooms and in America's principals' offices can put aside the notion of a permanent underclass.

But however much as we may do, and I think that everything that we do should be constructive, the Federal Government will not be the decisive factor in achieving the kinds of ends that we want. It can be helpful and it can be a useful auxiliary, to use the language of James Madison. We have sought to embody how the Federal Government can help with the proposals that we have put forward to you.

For example, I have spoken about, and the President indeed has spoken about, the need in high school for all students to have four years of English, three years of math, three years of science, and three years of social studies or history.

Just one example: in competitiveness we talk about the need for the next generation of scientists. Well, we are not likely to have people studying advanced courses in science, and they are not likely to study laser physics if they have not studied basic physics, if they have not studied geometry and algebra in high school. So that is why we need to emphasize those subjects so much.

When I talk about four years of English, of course, this ties into the important issue of bilingual education. And that is why we again propose reforming the $143 million bilingual education program.

As you know, Mr. Chairman, currently all but four percent of those funds are restricted to transitional bilingual education programs. But I think it is now clear to everyone, and the research shows this, that other methods of instruction for children whose native language is not English are often as effective as transitional bilingual education.

Structured immersion can be effective, and English as a second language can be effective. We do not take a position on which method is best. We are method-blind so to speak on what methods schools should use, but we do believe firmly and fervently that individual districts should be allowed and encouraged to choose the method of instruction that they think will work best for their students. We do not aim to impose one method over another. We have seen various methods and approaches work.

Also, Mr. Chairman, you will note in our proposals a concern with teacher training and improvement. Our proposal under teacher training would give States and localities funds to attract qualified people to teaching. I might also say that in doing this that we would be picking up on a larger movement in this country, where more and more people are becoming interested in the teaching profession.

We just reviewed a study, Mr. Chairman, that pointed out that most of the recent high school seniors who are declaring an interest in teaching are in the top quarter of their class. This is an improvement and this is good news, and we should all be encouraged. We want to pick up and be part of that wave. Our effort is to provide greater opportunities for teachers to do advanced work in the disciplines which they teach.

We think that we should talk to teachers and address teachers with the notion that they are intellectuals, and that they should have the opportunity to enrich their intellectual life through advanced study.

I did such a thing when I was Chairman of the National Endowment for the Humanities. You may recall that we set up summer seminars for elementary school, middle school, and high school teachers modeled on the seminars that we had for college teachers. And the teachers at the elementary, middle, and high school levels enjoyed these seminars very much, and found them very enriching intellectually.

Under the ECIA, I think that it is clear that we recognize that our Department has a special duty to help in the education of the Nation's disadvantaged. It is one of my top priorities, and I think that is reflected in our reauthorization proposals and in the fact that in a difficult year for budgets because of the budget deficit, that we have proposed a $200 million increase in this program.

We have been working long and hard on our proposals, but it has been worth the time because we think that we have good proposals. We are very pleased with the considerable degree of overlap that we see between our proposals and your and Mr. Goodling's proposals.

Chapter 1 is our main vehicle for serving disadvantaged children. It has been a reasonably good program. It has been modestly successful, but we think that it could do more. We think that we need to improve the deployment of funds. We think that we need to spend our money more effectively.

In putting together our proposal, we have sought ideas from all over. We have reviewed the effective schools research. We have talked to dozens of people about their ideas. We have aimed to incorporate the characteristics of effective schools and effective education in our bill.

It is our way of bringing education reform to the Federal level. It is our way of making what works in education and what is effective the currency of the realm of education.

I would say again, Mr. Chairman, that in a school that is good, a good Chapter 1 program can help. For a school that is not good to begin with, no Chapter 1 program can save it. It needs to become good in other ways. But we do think that our proposal can help good schools become even better, and schools that are not good have reason to become better.

We are happy, too, that our efforts seem to be paralleling the efforts of the Governors. The Governors are very much moving in this direction. Last month, the National Governors Association adopted a platform asking the Federal Government among other things to respect States' responsibility to set high standards for all students, and to encourage parents to become more involved as teachers of their children, and help States reward performance and focus on the neediest children.

So to promote features of effective schools, we have focused on results in our reauthorization proposal. We have done this first by suggesting that we reward success. Many people in business know that rewarding success is a good business practice.

I think to some degree we can carry over this idea to education as well. Currently, good and bad Chapter 1 programs are rewarded equally. Our bill, as you know, creates a set-aside at the State level to reward success. States could make grants to school districts for replicating or extending highly effective AIDS Chapter 1 programs. This is something that people in the field have stressed to us, and I think that it is a good idea. That is the carrot.

Second, we want to talk a little bit about a stick. We want to increase accountability. Just as there is no reward for success under current measures, there is little if any penalty for failure.

Under our bill, Mr. Chairman, State education authorities would assess Chapter 1 programs at least every three years. The results of that assessment would be made available to the general public, so that everybody can see them. As Justice Brandeis used to say, sunlight is the best disinfectant. Let's let the sunlight shine on these programs and see who is doing the job and who is not.

Where a program is found to be ineffective or inequitable, the State agency would then take measures to correct it. Specific remedies, and I would stress this, would be up to the State education authorities and not to us. But we do want to encourage them to take action to correct inequities or ineffectiveness.

Third, we want to increase accountability through increasing parental choice. We think the research indicates, as common sense shows, that the greater degree of involvement of parents, the more likely there will be effective education for their children.

We would provide, as you know, compensatory education certificates, limited vouchers if you will. We would allow for that possibility if local education authorities decided to issue these compensatory education certificates. These would be redeemable at local public schools, or at private schools or other eligible providers in the area that offer compensatory services.

That would occur if the local education authorities determine that a school or other program provider was not doing a good job. The local school district at its discretion could give parents an opportunity to choose an alternative program. It would be at the discretion of the local education authority, not at our discretion.

We have also concentrated on targeting, and I know that this is a concern of yours. We aim to see that students are served well, and that the right students are served. Our bill includes provisions to direct more funds to districts with especially high numbers of poor children, and direct funds to the poorest areas within districts. It, also, seeks to ensure that districts provide services not just to any needy students, but to the very neediest among them.

We also aim in this bill to remedy the discrepancies caused by the *Felton* decision. As you know, this Act, under which we are proposing our changes, was originally meant to serve needy children in public schools and in private and parochial schools alike. The sponsors of the bill did not discriminate against children in private or parochial schools if they were eligible for Chapter 1 services. They wanted all children who were eligible to be served.

But as you know, and I know that it has disturbed you as well as many others since the *Felton* decision, a significant number of private and parochial school children have not been served. We estimate that about 20 percent of those formerly served in the private sector are no longer being served.

As you know, too, the cost of serving the children who have been served has significantly increased as a result of that decision. Our proposal would help restore services by the use of the compensatory education certificate and by requiring State education authorities to correct deficiencies in the districts.

Let me just say a word about Chapter 2. Our proposal would, as we think it should, give States flexibility. States would get Chapter 2 funds for any purpose directly related to education reform and improving educational quality. Again it is the States and not the

Federal Government that have the first and primary responsibility to institute reforms.

And we want to give them discretion and their good sense to act in this regard, particularly at this time when we see so much interest at the State level in putting into place good reforms. We think that our Chapter 2 proposal is a way to help spread education reform in the States.

In conclusion, Mr. Chairman, I would say that I think that we have presented a strong proposal, and I hope that you think so. We are delighted that the Hawkins-Goodling bill reflects concerns for results in the way that our bill does. We welcome what seems to be an increasing consensus on what works and what the marks of effective education are.

And we hope that further discussion will bring us closer on other common sense ideas instrumental to the end of achieving effective education, and thus enhancing competitiveness as well as other worthy goals.

We are particularly interested, in the context of Chapter 1, of course, in providing the opportunity for everyone to enter the mainstream of American life. The question of how best to use our resources to help the nation's poorest children is I think the main question before us. Thank you very much, Mr. Chairman.

Chairman HAWKINS. Well, thank you, Mr. Secretary. The Chair will announce that we will enforce the five minute rule, and I hope that the members will not make unduly long statements before asking questions. Otherwise, we may have to terminate the response.

Mr. Secretary, I find some agreement with many of the ideas that you have expressed. However, on one or two issues, it seems we have rather wide differences.

In your Department's budget document, which probably controls the direction that legislation will take more than anything else, this statement was made, a statement I understand you have since repeated in many places at other times. The statement concerns targeting and the selection of students under the Chapter 1 program.

In the budget document, this statement was made and I quote, "The Chapter 1 evaluation has found that many children receive services who are neither poor nor low achievers." I find that statement rather startling. It seems to imply that there are many students who perhaps are not entitled to the services either on the basis of poverty or on the basis of achievement.

Keeping in mind the regulatory definition of low achievers, this would mean that these individuals are achieving certainly substantially below the 50 percentile.

I was wondering to which evaluation you are referring and how many children you mean. When you say many children, it could be a large number or it could be a very small number.

Would you explain that statement, and give us some idea of how many children you talking about who apparently may not qualify under the criteria for Chapter 1; and what evaluation are you talking about, what study would you cite, specifically, as the source of that statement?

Secretary BENNETT. Sure. I will ask Dr. Carnes to give some of the details of the study. If I could put it in context first, Mr. Chairman, in saying this. I do not suggest anyone's fault or negligence here. This is just the way that the program has worked, and that is why we are talking about targeting.

In saying that there are numbers of children served in this program who are neither poor or very low achieving, we are not saying that someone has been doing something inappropriate, but rather that this points up the need to target program resources better.

I will ask Dr. Carnes to comment. As I recall, our numbers suggest that of all of the children served in Chapter 1, something like 60 percent are not poor.

Chairman HAWKINS. Are they also low achievers?

Secretary BENNETT. Well, we do better. In terms of targeting, we are doing better at low achievers.

Chairman HAWKINS. Well, under law they can be low achievers in low-income areas. The law provides for both of them to be included.

Secretary BENNETT. Yes, sir.

Chairman HAWKINS. Now are you talking about individuals being included who do not fall into either of those two classes, both classes being covered under the law itself?

Secretary BENNETT. Again I will ask Dr. Carnes to talk about the details of the study. But I would say that for purposes of taking another look, as we should be doing in the reauthorization of Chapter 1, that we should focus our grants and our money on children who are both poor and low achieving.

We cannot possibly do it, Mr. Chairman, but ideally I think that if we were trying to find the best system to distribute these funds that you would start with the child who is the poorest and the lowest achieving and go to the one who is the next poorest and lowest achieving.

We cannot run a system like that, but I think that we can make efforts to try to focus more of the money on students who fit both categories.

Chairman HAWKINS. Well, we both agree on that, and the law requires it.

Secretary BENNETT. Right.

Chairman HAWKINS. The question goes to whether or not you have discovered any large or substantial number of children who are in neither class who happen to be receiving the services to which, under law, they would not really be entitled.

Dr. CARNES. Mr. Chairman, the source for our information is the recent Chapter 1 assessment. And among the things that it looked at was who in fact was receiving Chapter 1 services. It confirmed the results of a recent GAO study that indicated that basically LEAs are in fact selecting for participation in the program the proper students that meet the definition laid out in regulation and in law.

So we are not suggesting that there is a sizable number of people who are selected illegally in terms of the regulations that are either ineligible or improperly receiving services. Rather what we see is a significant number of needy kids who are falling through the cracks in the program because of the way that the program is currently targeted.

If for instance, just to give you a sort of drastic example, you were to take Montgomery County and compare it to the District of Columbia. If Montgomery County properly, and I assume that it does, targets its funds and services on its lowest achieving and lowest income individuals and the District of Columbia does the same, there can be cases where even the lowest people in terms of economic status and in terms of academic achievement in relatively wealthy counties such as Montgomery County are achieving at a higher level and receiving Chapter 1 service, while elsewhere kids who are more severely disadvantaged are not getting served in poorer districts such as the District.

So what we are saying is we think that with the resources we have available we ought to push the money to those who are at the lower end, that as many of those that we can possibly reach should get served so that as few needy children as possible fall through the cracks.

Consequently, our proposal would serve those who are the neediest first. We would push the money towards areas with the greater concentrations of poverty and have the greatest need. Let me just give you a couple of figures to back up my statements here.

We are serving approximately 5 million students in this program. Of those students, approximately 40 percent that we serve are poor. Of those who are served, approximately 85 percent are the low achievers, that is, achieve below the fiftieth percentile on standardized tests. Those who are both poor and low achievers make up approximately 38 percent of those we serve.

As a result, what we are saying is that we think that the targeting is pretty good, but there are still some kids who are not being served as a result of the targeting mechanism that now exists. We can improve on that and we can refine that targeting mechanism to make sure that they get served.

Chairman **HAWKINS**. You are making a distinction between those whom we may be serving who achieve below the 25th and those who may be falling between the 25th and the 50th. Now there are some perhaps at the 30th percentile who may be receiving the benefits of the program, and you are calling them less needy than those who may be falling below the 25th. In other words, those that may be at the 16th, for example.

You are making all of these distinctions, but the law requires at the present time that the schools be ranked on the basis of concentrations of poor children. That is the local educational agency's mandate. And then within that school building, the low achievers identified according to testing and other criteria would be selected. That is the way that the law operates.

Secretary **BENNETT**. Excuse me, Mr. Chairman. We are not suggesting that someone is playing fiddle-faddle here or doing something inappropriate.

Chairman **HAWKINS**. Well, I do not know what you are suggesting, Mr. Secretary, but the impression is given by such a statement as this, without the explanation that you have given to us, that there are many children who are not entitled to be in the program because they are not low achievers. You are making a distinction between a low achiever who may be at the 16th percentile and one which may fortunately have risen maybe to the 30th percentile. The problem is you are in effect accusing the local educational agency of doing something wrong.

Secretary **Bennett**. No, we are not.

Chairman **Hawkins**. Well, what do you mean when you say that they are entitled to the program, and yet you say that they should not be in the program?

Secretary **Bennett**. What we are saying is that it is a fair question to ask, when you have a situation such as Dr. Carnes described, where the "neediest" students in one district because of the relative affluence of that district are in terms of poverty and educational achievement far above students who are not served in a poorer district because of the distribution formula.

We just think that it is a fair question. It is the way that the federal law works, and it is the way that the distribution formula works. There is no pointing a finger here at particular districts. We are saying that we think that this is one of the things that we think that we, the Administration and the Congress, need to look at and work on together.

I do not have to tell you, Mr. Chairman, that there are areas of this country where there are great concentrations of very poor people and children who are way behind, too far behind, in their basic academic disciplines. And, as we propose, we think that more of our efforts ought to go to those areas. It is a fair question. People can disagree about it, but it is the difference between relative deprivation and absolute deprivation.

Chairman **Hawkins**. And the problem is that if we got the amount of funding which is required to do the job, we could serve all eligible children, and we would not have to select grades within a certain poverty level. That if they are living in a poor area and low achievers, they would be served. But we cannot do that if we keep cutting back on the amount of funding which is made available.

That is the problem. You are trying to reduce the number of children based on what you want to spend, and that is the problem. It is not a problem of targeting. The law presently requires targeting to be made, and the selection of the students within those school districts.

The states are supposed to monitor the program, supervise it, and to enforce the law. And the Department of Education if it finds anything that is wrong with the way that the law is being carried out at the present time, has full authority and power to do something about it.

And so you have the compliance system already in operation. And if there is not sufficient targeting, if the school districts are not doing what they are supposed to do, then it seems to me that it is up to the Department of Education to do something to protect the federal funding.

Mr. **Willkie**. Mr. Chairman, our view is that the law itself needs to be amended, not the practices that are currently in place. We have never suggested or implied that either the states or the local school districts are improperly carrying out their responsibilities under the current provisions of the law. But we think that we could do a better job of focusing existing resources on those most in need.

Chairman Hawkins. Well, the law requires that the neediest be served. That is written into the law. You can enforce that regulation.

Mr. Willkie. Yes.

Chairman Hawkins. You are talking about the law. The law was changed in 1981. You wrote the law yourself, the Administration did through the Office of Management and Budget. This committee did not write the law. We are saying that under the law which you were responsible for writing in 1981 that targeting is already provided. The neediest must be served already under the law.

And if that is not happening according to what you are saying, then it seems to me that you have the right to go in and to insist that state educational agencies carry out their responsibilities under the law to monitor, supervise and to enforce the law. And if they find that any substantial number of children are receiving it who do not meet the criteria for eligibility they can do something about it. You can correct it.

Mr. Willkie. We are not saying that local school districts are not serving those children who are most entitled to the services. But clearly, the research evidence indicates that children who dwell in concentrations of poverty are more likely to suffer educational disadvantagement.

Now our view is that the law today does not focus funds and existing resources that we have available on those school districts that are most in need. That is why we are offering the targeting proposals that we are proposing to Congress today.

Chairman Hawkins. Well, I am saying that the law that you wrote in 1981 can be enforced to do that at the current time. And if that is not being done, you are the ones who should be held accountable.

Mr. Willkie. Mr. Chairman, we are not saying that the districts are not complying with the law. What we are saying is that the law itself is not focusing resources with sufficient specificity.

Chairman Hawkins. Why did you not do that in 1981; and if you say that the others are as much entitled to it although they are not as needy, why do you not suggest increasing the funding so that this other group can be reached as well? Why do you think that with fewer dollars, local educational agencies can stretch the dollars to fit this, rather than trying to concentrate more money on fewer and fewer children?

Mr. Willkie. Mr. Chairman, we are here proposing an increase in funding as much as we think that current budgetary circumstances allow. If we thought that the current legislation were perfect, we would not be here today. We are proposing what we see as constructive improvements in the current legislation.

Dr. Carnes. I might add, Mr. Chairman, that we are not alone in identifying the need for improving targeting. Just about everybody we have talked to, including members of Congress, thinks that there are ways that the existing targeting mechanism can be improved. People like the Legal Defense Fund, the Children's Defense Fund and so forth.

Major education groups agree with us that what we ought to do is to improve the existing targeting mechanism so that various anomalies that occur between districts, between relatively wealthy districts and relatively poor districts, can be equalized. Everyone is in agreement with that.

Chairman **Hawkins**. The argument is not over targeting. We all agree on targeting. And we agreed before 1981. And then you changed the law to relax the targeting provisions, to strike out the parental involvement, to strip the state educational agencies of the enforcement monies that they needed. You did all of that in 1981. So you moved in the opposite direction.

This committee did not write those provisions into law. And now you come before us and say what we did in 1981 was wrong. I am saying that you have the authority to act now, if you want to exercise it.

Dr. **Carnes**. We do not.

Chairman **Hawkins**. But you do not have the money. That is the problem.

Secretary **Bennett**. No, no. If you agree with us, I do not really think that there is much point in saying whether someone's feelings were hurt because the wrong impression was created inadvertently. We are sorry about that. But what we are saying is that whatever was done in 1981, and maybe saying, well, you did it, or no, the administration did it, we did not have a shot at it, that is the people sitting in front of you did not have a shot at it. Can we focus on what we should do in 1987 or 1988?

Chairman **Hawkins**. Yes. Support the bill that we have introduced, Mr. Secretary.

Secretary **Bennett**. If you agree with us on the targeting.

Chairman **Hawkins**. And if you would support the bill that we introduced or support the effective schools bill, you will get there. But you have got to put more money into the program, and you cannot do it as long as you are leading the fight to reduce the funding.

Secretary **Bennett**. How about one issue at a time, Mr. Chairman? Can we agree that whether the budget level is the one that we propose or the budget level that you propose, that we still have to face the issue of targeting? Do we agree on that issue is what I guess I am asking you. I have put forward my position on how we should serve the most eligible students.

Do you agree philosophically that we should concentrate our funds on the children who are the poorest and the most educationally disadvantaged in absolute terms rather than relative terms?

Chairman **Hawkins**. No. I think that we should have adequate funding so that every child who is a low achiever, who is below the 50th percentile and in a poverty area should be served. I think that it is incorrect to select students out of a large group of individuals who need the Federal assistance and say that we are going to ask for just enough money for that small group and leave the others outside.

I think that you are approaching it from the wrong direction. Now if you can agree on serving every needy child, I will agree with you. But you want to cut back the funding and say that we are only going to serve those whom the money can provide the benefits to.

Mr. Willkie. Mr. Chairman, just as a point of information so that we can better understand your proposal, under that formulation, you would say that all children below the 50th percentile or dwelling in poverty should receive Chapter 1 services?

Would that not then provide for better than 50 percent of all of America's school children to participate in Chapter 1?

Chairman Hawkins. No. It would possibly include about 30 percent of elementary and secondary school children who are disadvantaged today and who should be served, and they are not being served and they are not likely to be served.

Mr. Willkie. But is it your view that all children below the 50th percentile should be served?

Chairman Hawkins. They are eligible, are they not?

Mr. Willkie. Well, it depends on how the LEA defines the criterion and determines which children will be served.

Chairman Hawkins. Well, the regulation provides that any child below the grade level of his peers can be served. And that would mean with the median being 50 percent, every child under 50 would be considered achieving at a lower level than that child should be, and the child should be brought up.

Unless that is the basic objective in American education, you are going to leave a lot of them out. And I am simply saying that if you want to do the job adequately, you would determine how many such children there are and then make recommendations.

Now you may not get them through. I do not think that the Appropriations Committee would go along with us. But I am simply saying why do you not join with us in seeking to relieve that problem, and then basically we could agree. I think that I have exceeded my time. I will try to get back at the end.

Dr. Carnes. I would just like to make one comment, Mr. Chairman. Students at the 50th percentile, or say the 49th percentile, are essentially basically average students. I guess that it is difficult for me to understand exactly why, regardless of income, people who are scoring in the middle range, and in the average range, should be getting remedial services. That is a question that I would offer.

Let me just make another point. There are in this country 3.6 million children who are both poor and low achievers, achieving below the 25th percentile. These are the ones that we think that the program should be sure that it reaches. And our proposal is designed to make sure that a greatly higher percentage of those 3.6 million kids are reached.

Chairman Hawkins. Well, now you do not even know what your own regulation says. Your own Chapter 1 regulatory definition of educationally deprived is, "Children achieving below the level that is appropriate for children of their age." And this has been determined over a long period of time to be roughly the 50th percentile.

And I am not insisting that everybody up to the 50th percentile receive the benefits. But I am certainly saying that you are not even reaching the 25th. So let's begin with the 25th. Everybody below the 25th percentile.

If you would be willing to go along with us that everybody below the 25th percentile who may also be poor, if those children are served, and then we will determine how much money is needed. And then we will ask for that amount.

Dr. **Carnes**. I think that we certainly agree that everybody who is both poor and below the 25th percentile should be served. We certainly would have no argument with you on that. We think that given the budget realities, we ought to make sure that those who are both poor and educationally in need are served first.

Chairman **Hawkins**. Well, you are not doing that.

Dr. **Carnes**. Yes, our proposal would help remedy that.

Chairman **Hawkins**. Well, you are not doing it under current law. And you can do it under current law, because current law requires it to be done.

Dr. **Carnes**. What we are trying to do in our proposal is to equalize the differences across districts. Within each district, students are selected in accordance with the law. The GAO and our own studies confirm that. But what we are trying to do is equalize it.

Chairman **Hawkins**. Well, I will get back on these studies, because you do not have a single study other than the studies you have done that justifies your position. And you have no study other than the one that you are citing which is based on data that is ten years old, and that is the only evaluation that you have. And you do not have any other study outside of that which supports the position that you have taken.

Mr. **Willkie**. Mr. Chairman, our data are based on the congressionally mandated study that was just performed in the last few months based on the best available data.

Chairman **Hawkins**. Well, your own representatives here, the assessment representatives here yesterday, said that compliance is not the problem.

Dr. **Carnes**. Well, that is exactly what we are saying.

Chairman **Hawkins**. And you are saying that you do not have the ability or the authority to make the local districts comply.

Mr. Jeffords. My time is way up. I am sorry.

Mr. **Jeffords**. Thank you, Mr. Chairman.

First of all, I would like to put this back in the trade perspective, and try to get back to what I think our major goals are. Secretary Brock was before us recently and indicated that despite the gloomy news, there is some optimism. Our work force has grown at about three percent a year and our jobs have grown close to the same rate. And it looks like our future work force is going to decline to about a one percent growth a year, but hopefully the jobs will keep up.

It has been pointed out that if we look for workers we are going to have to look at the economically disadvantaged and the minorities. I think that the Administration's proposals, as I understand them, are targeting both of those groups from the competitive perspective.

The targeting aspects are very important. As I understand, the differences here is that you would like a little more flexibility to target more of the resources to those areas that have the greatest numbers of disadvantaged relative to other districts.

So would you briefly summarize how you do that in your bill? It is my understanding that you have some concentration grants.

Dr. CARNES. Yes. Thank you, Mr. Jeffords. Actually, there would be four ways in which targeting would be improved. What we have proposed, which is a version of the Hawkins-Goodling proposal, is to provide for funding through concentration grants.

What we would propose is that the first five percent of the funds available for this program be allocated under the concentration grants formula, where grants would be made only to counties that either have 5,000 poor children in them or 20 percent of their children are in poverty.

The 5,000 would provide a critical mass for urban areas, and 20 percent would provide a critical mass for rural areas that might have lower populations. So we would fund the concentration grants first.

Second, we would say that the remaining funds would be allocated to counties on the basis of the number of poor children in that county, but we would require that the first two percent of the poor children be absorbed and that funds be allocated on the basis of poor children in excess of two percent of the total number of children in the county.

Third, we would require most LEAs to conduct programs only in the poorest one-third of their school attendance areas. If there was a uniform distribution of poverty in that LEA among the various schools, then they could allocate the funds to all their schools. But the priority has to be given to the lowest income school attendance areas in the local district.

And then fourth, we would amend the current law to say that the children who are selected to participate in Chapter 1 must be served in the order of their need first.

Mr. JEFFORDS. Thank you. I think that I understand what you are trying to do. I wonder what kind of dislocations that will cause in the present distribution system, and what the ramifications would be?

Dr. CARNES. We think that the effect will be that all of the districts that receive Chapter 1 funds now would continue to do so. What would happen is that the money would be pushed to school districts that have higher concentrations of poor kids. There might be some variation in a few cases from LEA to LEA.

Mr. JEFFORDS. Currently we are only supplying funds to less than half. The problem is those areas that are presently being served might not fit in the notches that you are talking about. You are going to end up by underserving groups to better serve other groups.

Dr. CARNES. I think that what would happen is that needy children with high concentrations of poverty who are not currently being served will in general have more resources available to them. In those poor districts where, more needy students who are not getting served will be served where other higher achieving kids in healthier districts would not be served.

Mr. JEFFORDS. Now with respect to the incentives for the program's success. I know that you are trying to work on getting better accountability for the expenditure of funds, trying to replicate good programs and improve success. What does your bill do to try and accomplish those goals?

Secretary **Bennett**. One of the things that we would like to do, Mr. Jeffords, is give successful projects an opportunity to take in more children, to be replicated in other places so that other children can benefit. This is something that we have heard about from a number of people in the field.

The chief State school officer in California, Mr. Honig, wrote us about that, and I have talked to him about it. We have the odd phenomenon, but not odd as federal programs go, that as soon as you succeed you lose the money. If you do a good job of getting these kids up to speed, then your money is gone.

In some ways, I do not think that you can ever eliminate the larger thrust of that point. Because so many Federal programs are aimed at bringing children up to speed and providing equity, when they are up to speed, then it is time to turn your attention to other children.

But should there not be some reward for success? Should there not be some public acknowledgement and perhaps more than public acknowledgement, but some structural way of providing incentives for success? That is what we are looking at here, and that is what we are proposing here; the opportunity to replicate successful programs and to build on what works.

Mr. **Jeffords**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Mr. Ford.

Mr. **Ford**. Thank you, Mr. Chairman.

Mr. Secretary, it has been two years since you came up here when I was chairing the committee to explain the budget, and I have to observe that you have not come to understand these programs any better than you did two years ago, and you have not stopped making definite statements all over the place.

Secretary **Bennett**. It is nice to see you, too, Congressman.

Mr. **Ford**. Now you have been sitting here talking about something that is completely strange to me. And I am uneasy because I sat on this committee in 1965 when we wrote this law. It was not then, and it never has been and it is not now a poverty program. It did not then, it never has and it does not now say anyplace in the law that you measure the income of the child or the child's family that you put into a class to get remedial reading.

It says that you use the potential high correlation of concentrations of not poverty people but relatively low income as shown ten years before on the census, and the potential of that having a high correlation with probable need in the same area for supplemental education.

Only to that degree do you use the consideration of family income. Not any individual's income, but the income of the people within a county. And we use the county, because that was the only level of data gathered in the 1960 census.

Now you keep talking here, as you have been around other places, and you have got a lot of people confused that what we have here is a poverty program that somehow has gotten away from the poor people.

It never was contemplated that once the money was distributed that a school district or an individual school would use the income of the child to determine the need for remedial reading, remedial math or whatever other kind of supplemental education service that they gave them.

Now why do you persist in talking as if the law has provided that you must serve all "poor children" when it never has? All three of you at one point or another this morning have said that. And I would like the Secretary to answer, Mr. Willkie. I am sure that he is not bashful.

Secretary **BENNETT**. No, I am not. General Counsel has informed me that we can find support for our position in the law. I guess that we would disagree to some extent on your reading of it.

Mr. **FORD**. I am not going to disagree as to the reading of it. I helped to write it.

Secretary **BENNETT**. Well, fine. Then I would say this. I am not a practicing lawyer. But I would say that if you did not have in mind the poor, then you should have had in mind the poor. It should be that way. And I think that we should take another look at it with that in mind.

Mr. **WILLKIE**. Mr. Ford, if I could just ask one question.

Why did Congress reference low income at all in the original enactment of this legislation?

Mr. **FORD**. Well, now we have got at least somebody who wants to figure out the formula.

What data would you have used to use the child benefit theory to try to track where you were likely to find children who needed extra educational help in 1965? The only data that were available that you could use nationwide was the 1960 census data on income and age.

So you could take two factors. The number of children between the ages five and seventeen shown to be in a given area by the census, and the number of children in the first instance who came from families who by the census had a family income of $2000 or less.

Now that comes nowhere near the screening process of a poverty formula. It is an arbitrary figure, $2000, which everybody knew was a ridiculously low figure, but it was an arbitrary figure that gave you some kind of differentiation across the country between areas and schools districts of affluence and those that were not as affluent as to the characteristics not of the school district and its tax base, but the population of that district.

Because all of the sociologists at that time were telling us that if you want to find the kids who probably are most in need of supplemental education, you go to where you find concentrations of low income kids. Now most of us know that intuititively. But if you had come up with something as an alternative to that, then we would have used it.

Mr. **WILLKIE**. But all we are attempting to do is to provide for better targeting and better focusing of existing resources.

Mr. **FORD**. You keep saying that, but none of you have suggested how you would go about doing the targeting.

Would you tell me specifically how your formula would read?

Mr. **WILLKIE**. Dr. Carnes has just specifically addressed that in response to Mr. Jefford's question, how we would provide for better targeting of resources on concentrations of poverty.

Mr. Ford. No, no. What Dr. Carnes said is that what you would like to achieve is more concentration on poverty, but he does not say how you do that.

What do you use as a measuring device to decide that you have succeeded in doing that?

Dr. Carnes. As I said to Mr. Jeffords, we basically use the child count based on the Orshansky poverty data from the 1980 census, and we can discuss those data later if you want to. It is a measurement of poverty.

What our proposal does for the basic grant is require that the first five percent of that grant be allocated through the concentration grant formula.

Mr. Ford. Could I just interrupt you there, so I can try to understand your formula?

Dr. Carnes. Yes, sir.

Mr. Ford. You would take the child count living in families described as being in poverty by Orshansky?

Dr. Carnes. Yes, sir, just as we do now.

Mr. Ford. Now where do we go to look up that data?

Dr. Carnes. That data is from the 1980 census.

Mr. Ford. Hold it. Where in the 1980 census will you find any kind of a breakdown of population that relates to the Orshansky formula? The Orshansky formula is not based on income. It is based on a market basket, and what happens to that market basket over a period of years as a result of inflation.

I submit that you cannot from the census determine anything about the Orshansky formula, because all the census will tell you is income, age and other characteristics, but it will not tell you anything about what the current market basket was in 1980. And that is what Orshansky is based on. Orshansky is a formula that says that we will say this much income is poverty, but we will say that each year on the basis of what Molly Orshansky's food basket for a family would cost today. And that is why it has come up from about $5,000 to now about $10,000.

But do you still suggest after consulting with your staff that from the census you can determine how many people are where under the Orshansky formula?

Dr. Carnes. Well, I guess that what I am saying is that the basis upon which we make the allocation is the number of children in poverty taken from the 1980 census. That plus AFDC counts, children in foster homes, and children in locally operated institutions for the neglected and delinquent—which also make up a small portion of total Chapter 1 formula population—provide the basis for determining the Chapter 1 allocation.

Mr. Ford. That sounds nice.

How do you find that out?

Dr. Carnes. I am going to have to ask some of our other folks to answer that question, if that is all right with you.

Mr. Ford. Certainly.

Dr. Carnes. This is Mary Jean LeTendre.

Chairman Hawkins. Would you identify yourself for the record, please?

Ms. LeTendre. Mary Jean LeTendre, Director of Compensatory Education Programs for the Department.

Chairman **Hawkins**. Thank you.

Ms. **LeTendre**. As I understand, Mr. Ford, there are data on the number of children from low-income families that we get directly from the census. These data are given to our Center for Education Statistics. We receive data from HHS on recipients of Aid for Dependent Children. And we use the criteria that the census has used in defining poverty.

All of those go into a determination of the current formula. I think what Dr. Carnes has indicated is that we are not changing what exists. There is no provision to change that aspect of the formula that you wrote into the law over twenty years ago.

Mr. **Ford**. Then what you are suggesting is that you leave the basic formula for distribution between the States and within the States down to the county level?

Ms. **LeTendre**. Yes. The factors in the formula would remain the same.

Mr. **Ford**. And now all that you have been saying this morning has to do with what you do after it gets within a county?

Ms. **LeTendre**. Yes, after the two percent absorbtion factor has been applied.

Mr. **Ford**. As a matter of fact, what do you know about how they do it out there now? Do they do it the same way? You like to talk about Montgomery County. Every time that you come up, you mention Montgomery County.

Dr. **Carnes**. I have never been up here before, sir.

Mr. **Ford**. I do not know whether it is because you live there or you are envious of people who do, but it is in your presentation every time.

Dr. **Carnes**. Mr. Ford, I have never been before this committee. I have not had that privilege. So I do not think that I have been using Montgomery County in every example.

Mr. **Ford**. You do brief our staffs, and they do tell us about your briefings. You make a great impression, and you are quoted to use it more often than you might suspect. So we are not unfamiliar with your positions.

Dr. **Carnes**. Change it to Fairfax County. That is where I live.

Ms. **LeTendre**. I have visited Montgomery County, and they have an excellent Chapter 1 program serving the children that they have identified as needy. They identify their children in approximately the same manner that most do. Most of them use school lunch count. Once it gets beyond the county to the district level, that is the most current data that they have available to get the money to where the children are identified as poor.

Mr. **Ford**. I would like to tell you that that is where I learned that there is no poverty factor involved in the formula. Because in 1965 after we passed the law, the then Secretary of HEW was living in that county, and his wife belonged to the PTA. And the Montgomery County PTAs were absolutely irate that we were passing a massive Federal education program that their children could not benefit from.

So I was invited as a member of the subcommittee to go out there and stand before the assembled PTAs and try to explain the formula to them, and explain that indeed Montgomery County would qualify, and that you did not have to apologize that you lived in a poverty stricken county in order to have some help, but that probably more people in Prince George's County would qualify.

But that there was no county in the country as far as we could determine from the census data that would not qualify, which was another one of the nice things about this. That the real purpose that most of us had when we started out to write that law was to get general aid to education. And nobody could figure out to get that past all of the warring religious questions and civil rights questions. We were still fighting the battle of the 1954 desegregation case and its fallout until the White House came up with the child benefit theory.

And then we very deliberately tried to find a child benefit theory that you could broaden out, so that you would have a real constituency in this country for federal aid to education. And we were pleased to discover that the Title I formula of 1965 actually made eligible 95 percent of all of the school districts in the United States. And there is not another formula that we have ever been able to write that does that.

And that is why the formula has not changed, even though the bill has been reauthorized and reauthorized many times, and even why Gramm-Latta did not try to change it. And now you are coming in and talking about a whole different way of deriving the funds with this concept of poverty.

And I just wonder, what you are talking about when you talk about within the county. How far down are you talking about having poverty do the targeting for you?

Dr. **Carnes**. Let me amend a statement that I said a second ago in response to Mr. Jeffords. All of the counties that participate in the program would continue to be in the program. It might be that one LEA or another would either get greater or lesser funding.

We are saying that within that county, we would target that money down to the individual school level. The LEA would do that. It would be obliged to target the funds that it had on the poorest one-third of the schools in its district.

Mr. **Ford**. Are you not aware that that is the way that a majority of counties with a big city in them are doing it now, is that not true? In Los Angeles, as a matter of fact, they take an actual annual welfare count or public assistance count, and use that along with real estate values I believe in Los Angeles County to break it down into each individual school attendance area.

Ms. **LeTendre**. They do that, Mr. Congressman. We have found that the school districts, however, when qualifying anyone above the district average cut-off, that three-quarters of the school districts have tended to spread the money across all the schools that they deem eligible.

I think that what Dr. Carnes is saying is that there are more children who are poor and who have greater educational needs based on the recent study who would benefit more. But I do want to clarify that the provision that is currently in the statute that allows any school that has a 25 percent poverty rate would continue to be able to receive services.

So it would be within those school districts, and there are many that do not have a 25 percent poverty rate, where we felt that the money would be better concentrated so those schools with a higher concentration of families in poverty should be served rather than spreading it out to those that have a lower concentration.

Chairman HAWKINS. Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

For my five minutes, first I would like to shift the thinking a little bit. Nothing is going to improve, we are told, with study after study unless as a matter of fact the on-site administrators have an opportunity to sharpen their tools, et cetera, which brings me to the question.

I have been going all over the country saying that we are just about ready to move ahead with the LEAD program. And I got that information from the Department. Now I do not see the LEAD program moving as yet.

Can you bring me up to date, Mr. Secretary, as to where we are on what I think is a place that we really have to begin when we talk about improving education?

Secretary BENNETT. Dr. Carnes will give a brief history of where we are.

Dr. CARNES. Mr. Goodling, we expect to get the first batch of awards out for LEAD within the next few weeks. We have a rescission proposal for LEAD for fiscal 1987. We are, however, on track for applications and grants under that program. The 1986 grants will be made quickly.

Mr. GOODLING. Can you assure me that it will be within March?

Dr. CARNES. Within the month of March for 1987?

Mr. GOODLING. No, as far as getting those 1986 grants out.

Dr. CARNES. I would say within April.

Mr. GOODLING. The early part of April?

Dr. CARNES. I will do my best, sir. But I can assure you that it will be much better for 1987.

Mr. GOODLING. How about the regulations, where are we on the regulations?

Dr. CARNES. We think that they are about to go forward. We have sent them to OMB for a final sign-off. We expect them to be published within the next week. All our differences with OMB have been ironed out. The final regulations will go next week, and 45 days after publication, they become final.

Mr. GOODLING. I am not wrong, am I, Mr. Secretary, in believing that that is very, very important, the on-site administrator in relationship to improving education?

Dr. CARNES. No, we agree with that. Even though we are proposing a rescission in that program in 1987 and not proposing funding for it in 1988, we do believe that it is important for administrators to have this kind of opportunity. And we have incorporated provisions for that in our teacher training bill.

Mr. GOODLING. Well, I would not want to start a program if we are going to get out of it the minute that we start it. So I guess that we will have to take the lead as far as Congress is concerned. We will also have to try to find the money.

Let me just turn briefly then to Chapter 1. I do want to say that there is more in your proposal that is good and that I agree with than I disagree with. Much of it looks very, very familiar as a matter of fact, as you look at some other proposals that have been floated in relationship to Chapter 1.

Rewarding success is very, very important. Accountability for results is good. We want to make sure though that we do not get back into some onerous reporting programs again that we got away from in relationship with Chapter 1.

Encouraging innovation and effective practice, parental involvement. Parental involvement to me means something different than it does to some people. Because I think that in parental involvement that we are talking about what it is that we do in a school district to help the parent better prepare the child before they come to school and after they are in school. So that is what I consider parental involvement beyond any kind of planning.

Addressing *Felton*, we think that we have done that, and I am glad that you are looking in that direction, too. There are three areas where I would say tread lightly. There are some of us who have been very close to the migrant education program for a long time. I want to discuss those issues with you before you move too rapidly in that area.

Increased choice is a problem. We thought before the hearing yesterday that we had all of that worked out. Some of us felt that we were stabbed in the back perhaps with some of the testimony yesterday. But we thought that all of that was worked out before yesterday's hearings. So we were kind of surprised with some of the testimony yesterday.

The whole idea of targeting, I do not have any problem with it as long as we make sure that this does not become a program that is strictly a center city program. I think that when you talk about the needs of children, that they are just as needy and maybe even more so in some instances in some very rural areas where there is very little help available.

The GAO said that no one is misusing the funds according to the way that the law is written. The assessment group that spoke yesterday assured us the same. They also said yesterday that most of that 10 percent in the 50th percentile and above are there because they have been grandfathered, and have been given the extra year of reinforcement. They have graduated from the program, and they made that pretty clear yesterday.

They also made very clear yesterday in response to a question that I asked that there are people, for instance, in some schools in third and fourth grade who are more needy than some of those who are being served in first and second grade.

But they are only serving first and second grade because they do not have enough money to serve the rest of the school. So that is part of the problem in relationship to how closely they are targeted.

I do not have any problem with the assessment once in every three years. Again as I indicated, as long as we make sure that we do not get back into the business of grinding out pages, and pages, and pages and pages of paperwork. That does not help to educate children.

So basically, I do not have too much with which to disagree the exceptions being those three or four areas that I mentioned. As the choice situation, I think that they already have a choice. I do not think that we at the federal level should be involved in how much choice someone who wants to send their children to private and parochial schools have. I think that is their business and their responsibility.

We will take care of in our bill of making sure that we provide the Chapter 1 opportunities. That does not need to be any voucher, or as they called it yesterday parental grant. So I have nothing else.

Chairman HAWKINS. Mr. Biaggi.

Mr. BIAGGI. Thank you, Mr. Chairman. Welcome, Mr. Secretary. I was not here when you made your statement, but I have since read it carefully.

Yesterday Bishop Hughes of the Catholic Conference made reference to parental grants, and there was some distinction between parental grants and your compensatory education certificate.

Would the parental grant proposal that he advocates be acceptable?

Secretary BENNETT. I do not know. I am not familiar with his views expressed yesterday. Let me ask my General Counsel.

Mr. WILLKIE. We are familiar generally with the testimony that was given yesterday. I think that there is considerable overlap, but I have not seen any formal presentation of that proposal. I think that it incorporates some of the same objectives.

Mr. BIAGGI. I wish you to familiarize yourself with it.

Secretary BENNETT. I will take a look.

Mr. BIAGGI. And when you do that, we would appreciate your comments in connection with it.

Secretary BENNETT. Sure.

Mr. BIAGGI. Mr. Secretary, in the past the administration and Department of Education have talked about the importance of alliances between the private sector and public schools to improve education and marshall all community resources. I have introduced a bill, H.R. 627, Alliance For Education Act, to encourage the establishment of these partnerships between the private sector and the public schools.

Does the administration and Department still support and advocate that policy?

Dr. CARNES. Mr. Biaggi, we are not opposed to such partnerships. We think that under many circumstances such an approach can be a very effective way of aiding students. So we support such partnerships.

As to the specifics of the particular legislation you mention, I would suggest that the bill we are recommending would allow these kinds of activities to occur.

Mr. BIAGGI. But you are not providing any funding to support that, are you?

Dr. CARNES. We would allow both the State and local school districts to support such activities. We would at the same time under our proposal reserve a portion of funds at the federal level to make grants to demonstrate exemplary and innovative programs in an effort to encourage such projects.

Mr. BIAGGI. At what level would you find those grants?

Dr. CARNES. The portion of funds that we would reserve for use at the Federal level would be $20 million, which would provide for a range of demonstration programs throughout the country.

Mr. **Biaggi**. Well, you do not differ too much from the bill, where the bill advocates $30 million, and you are suggesting $20 million, so we are not too far apart are we?

Dr. **Carnes**. In terms of the total funding, I guess I would say that we are not too far apart, although there are other activities under ours that we could support as well. It would not be restricted to just those activities.

Mr. **Biaggi**. Fine. With connection—we are talking about improving American competitiveness. You have heard the President say it and I am sure we are all concerned about it, and one area that must be addressed is work place illiteracy. It certainly seems to impede that competitiveness.

I have offered a bill which authorizes $50 million. Aside from the dollars involved, you are still supportive of the entire effort.

Secretary **Bennett**. Yes, sir. We have requested an increase of $26 million. I think it is $26 million in our efforts in illiteracy, and we are very pleased with what we have done at the Department.

I would say though that based on what we know, at least on research going on in the field, I think we are in a better position now than we were a year or two ago to talk about what are the most effective programs in combatting or responding to the issue of adult illiteracy. I think we can say more about that than we could in the past.

But nothing we have learned suggests that there is a better answer to this than prevention. The thing that we must do and we must insist that our schools do is provide the basic skill of literacy for every child. When some proportion, and that does not matter to me whether it is 10 percent, 20 percent, 30 percent or 40 percent of people, who are being moved through grades without having the basic literacy skills, that is an issue we need to address.

Mr. **Biaggi**. Well, you and I agree on that, no question. But that is long range.

Secretary **Bennett**. Yes, sir.

Mr. **Biaggi**. And I am talking about short range at this point.

Secretary **Bennett**. Yes, sir.

Mr. **Biaggi**. Did I hear you say that you are recommending $26 million?

Secretary **Bennett**. $26 million additional dollars.

Dr. **Carnes**. That is right. It is about a 25 percent increase in the overall funding for that program.

Mr. **Biaggi**. Well, again, we are talking about disparity in numbers.

Dr. **Carnes**. Right.

Mr. **Biaggi**. Finally, Mr. Secretary, last year you listed elementary education as a department priority. In particular, when talking about elementary programs, you mentioned gifted and talented education as a priority. I understand you do not support the bill that I have introduced because of the $25 million price tag; is that correct?

Secretary **Bennett**. Yes, sir.

Dr. **Carnes**. There are two reasons for that, if I could elaborate, Mr. Biaggi.

It is in part a question of price. Let me also say that such activities are supportable under the Chapter 2 block grant if states want to. If they declare that as a priority effort for them, they could support these kinds of projects.

But let me say, in addition, that we think that the major Federal role should be targeted towards—if there are available resources—those that we are trying to reach in our Chapter 1 proposal.

Mr. BIAGGI. Well, you say it is allowable under Chapter 2 which means that some other program will suffer as a result. Now we are talking about a national effort to improve education. We know the President has spoken about it. We know you have spoken about it, and everyone is speaking about it. And clearly, you are not going to be able to get all these programs in place without some price tag. I do not think the price tag here is all that exorbitant when you consider, one, that they contribute to the dropout problem.

It is estimated that one out of every five of these gifted and talented children drop out of school because of the boredom and whatever. So that is a grave and serious problem.

Aside from the negative, talk about the positive. We are looking at the brightest of the bright who have the great potential to be the leaders. And we are talking about an issue and we are talking about an element that should be pursued and we all agree on that.

Yet, when it comes down to doing something about it, we get rhetoric.

Secretary BENNETT. No, I do not—excuse me.

Mr. BIAGGI. Yes. Did you want to say something about this?

Secretary BENNETT. Well, it is not——

Mr. BIAGGI. If I am wrong, I would be delighted to be wrong.

Secretary BENNETT. Sure, we would say it certainly is not rhetoric, but we do not think either that for every educational problem we need another seed catalogue of Federal program—to quote Governor Babbitt yesterday. Most of the educational problems we think can best be addressed in the States.

The problem you talk about for the gifted and talented is a problem for students generally, and I think the problem is insufficient expectations for students. We just did the wall chart, Congressman, the State-by-State comparison of student achievement. We found that, if anything, high expectations tend to keep people in schools. It is not the other way around.

It is not that when you raise the standards, people leave school because they are afraid about meeting them. When you raise the standards, people tend to stay in school because it is a more interesting and challenging place to be.

We could have a $10 million, or $20 million or $50 million program for bright students, gifted and talented students. But if the expectations were not there in the school, it would not matter.

And the second thing I would say is if the expectations are high in the school for all students, you do not need a Federal program.

Mr. BIAGGI. Well, I do not disagree with you.

Secretary BENNETT. Okay.

Mr. BIAGGI. Except this. You are talking about a long-range program.

Secretary BENNETT. Okay.

Mr. BIAGGI. You are talking about the very fundamentals of education which are not adequate at this point. That is the difference. And clearly, well, aside from that what puzzles me is although we talk in terms of gifted and talented as an important element, can you tell me why the department has abolished the Office of the Gifted and Talented, and why they cancelled the study to be conducted on the gifted and talented education last year?

Dr. **Carnes**. Mr. Biaggi, my recollection is that essentially we have given the resources at our disposal to find our budgetary role in the way that we have outlined in our Chapter 1 proposal. As a consequence, we just find it difficult to envision the ability of the department to support such programs regardless of their merits. I do not think that we are disputing the merits of efforts to provide opportunities for the gifted and talented.

I think what we are asking is whether, given the circumstances, that is something we ought to be proposing at the expense of some other activity in the department.

Mr. **Biaggi**. Well, here we go again.

Dr. **Carnes**. Yes, sir.

Mr. **Biaggi**. Here we go again.

Dr. **Carnes**. Right, there are trade offs.

Mr. **Biaggi**. Well, I do not know what we traded in this case, but there comes a time when trade offs are not acceptable and they should really talk in terms of important issues, and I think this is an important issue. Everyone agrees it is an important issue. Everyone says we talk about education and excellence. As a matter of fact——

Secretary **Bennett**. That does not mean that we have to have another Federal program for it, Congressman. More Federal programs do not mean better educational results. We can show that year after year.

We know what makes for competitiveness. We know what makes for good schools, and these are not things for the most part for which you need Federal programs.

Mr. **Biaggi**. You continue to make the distinction between local, State and Federal programs.

Secretary **Bennett**. Yes, sir.

Mr. **Biaggi**. I do not. I talk in terms of education as a blanket issue where we are all concerned.

Secretary **Bennett**. Yes, sir.

Mr. **Biaggi**. And I know what your inclination is as a matter of policy to withdraw the Federal participation as much as possible.

Secretary **Bennett**. No, that is not necessarily the case.

Mr. **Biaggi**. Well, it is reflected in the budgetary requests. But I do not think that is the way to go. The old bartender once said, talk is cheap; it takes money to buy whiskey. I mean everyone is talking about how wonderful education is and what we should all be doing. It is a major program.

Secretary **Bennett**. Education has been high on money for 20 years and the results have not been particularly encouraging. We know what makes for good schools and it is not ever-increasing educational expenditure. We are not just saying let us talk our way out of it. We are saying we do not think you can buy your way out of it. I do not think you can just send a check and you are going to get better schools. And we are not just saying it; we are prepared to prove it based on effective educational research.

It is not a matter of just talk. It is a matter of effort and commitment. It is a matter of homework. It is a matter of high expectations. It is a matter of competent teachers. It is a matter of excellent leadership on the part of principals. Another check from the Feds is not going to do it.

Mr. **Biaggi**. Mr. Secretary, as I said before, I do not disagree on your fundamental approach.

Secretary **Bennett**. Right.

Mr. **Biaggi**. But I am also realistic enough to know that your goals in this case are long term. And I do not think we as a Nation, as a people, can afford to wait for that solution. We should look for an interim implementation of our objectives.

Chairman **Hawkins**. That is a good statement. Can we end?

Mr. **Biaggi**. Thank you.

Thank you, Mr. Secretary.

Secretary **Bennett**. Yes, sir.

Chairman **Hawkins**. Mr. Gunderson.

Mr. **Gunderson**. Mr. Chairman, Mr. Henry due to a scheduling conflict asked that I yield at least briefly to him, so I am going to yield to him at this point.

Mr. **Henry**. I thank the gentleman.

Chairman **Hawkins**. Mr. Henry.

Mr. **Henry**. Thank you, Mr. Chairman.

Mr. Secretary, I really commend you for asking the right questions. Quite frankly, for awhile I was wondering whether you were getting crucified or being stoned or getting a Chinese water torture from the committee, but I really do think you are asking the right questions.

The 1960s and 1970s were years of phenomenal growth and a redirection of this country in terms of resolving the problems of unequal educational opportunity. I think the questions today are accountability in the system to see if what we set out to do is working.

You are a former professor of the humanities, and so you know that Socrates got killed just for asking questions. The problem in your case is that you are not only asking questions but you think you know all the answers in terms of, you know, what they are. [Laughter.]

And I think that is what is putting the edge here.

Secretary **Bennett**. That is my problem.

Mr. **Henry**. But I hope that our disagreement on some of the answers does not let us lose sight of the basic questions you are asking relative to accountability.

For example, targeting is an issue, and I am amazed, for example, by some of the questioning. My district is potentially helped with this proposal because it is an urban district—which has greater needs and yet less ability to address the critical social and educational needs of its kids.

I am looking at my State, Inkster, Flint, my community, I presume the Chairman's community, in terms of the targeting aspects, are potentially helped. Is this not where the most concentrated social need is?

Over and over again all the education research tells us that the building principal in conjunction with parental involvement is the key to turning around a learning environment. The changes in the law several years ago on parental involvement were not meant to be a retreat from parental involvement, but an acknowledgement that many of the parent councils were nothing more than phoney fronts and were not doing a thing to really deal with substantive issues of parental involvement, and it is good that we raise the question.

On the issue of choice, let us just forget for a moment the non-public school sector, so we can take that issue out. A half a dozen years ago we were debating magnet schools as if it was a step back, you know, that this would resegregate the school systems.

Now I imagine that every single member of this committee from an urban school district probably has a grant pending in front of your department for magnet schools which are designed to increase opportunities for choice, for parents and kids, and flexibility in the system.

So you are on the right track on the questions you are asking and I clearly would hope that while we may not take all the options in the Chapter 1 reauthorization, that we would at least have some provisions in the bill to test your answers, and that we will have something in here to try them.

The fundamental issue is that the districts with the greatest educational need are those who have the least by the way of resources to address the need. And we have with that the problem of the danger of a permanent underclass in our society. And that I think is really the issue you are trying to address. And I am wondering whether you really believe we have simply to resign ourselves to an underclass in American society and to what extent your questions and your answers are directed at creative and constructive resolutions to the problem of a permanent, unfortunately, many of us are afraid, American underclass.

Secretary **Bennett**. Thank you, Mr. Henry, an excellent question. Let me comment on a couple of things. First your elegant introduction, your Socratic moment there.

It was one of the dicta of Socrates that he was not an absolutist, but he believed that you should go with the most likely story. And what he always proposed as his version of things was what he thought would hold up to evidence and examination. And all of us folks who get our PhDs in philosophy have taken something like the Hippocratic Oath, the Socratic Oath, which is to try to stick with the most likely story.

There are times in this job when one is tempted to think it would be easier on one to be less like Socrates and more like Hamlet, and to say, my gosh, I do not know. I guess we had better have a Federal program. Two plus two might equal four, but it might equal five. So when in doubt, let us have another Federal program.

The problem is that if you look at the evidence, you will see that two plus two does equal four; that good education is good education whether it is in Michigan or D.C. or California, in Japan or the United States. And it pretty much always has the same marks. Some of them can be helped or aided by Federal programs. But Federal programs cannot cause them to be good if they are not already good.

One of the areas on which this debate often focuses is this question you asked about the underclass, because there are some who are convinced that we do have a permanent underclass in our society; moreover, that underclass is impervious to movement or to influence, and there is very little we can do about it.

We are convinced that that is not true. We are convinced that that is not true, not because we want to believe it, but because we have some evidence. We have seen some evidence of movement of the very poor, the very educationally disadvantaged.

I have made a point, Congressman, as I think you know, of going to schools where the population of that school, at least a substantial part of it, might in socio-economic terms be described as part of the underclass. And yet at these schools children are learning and achieving. I think there is great hope for their future.

At the William Lloyd Garrison School in the South Bronx, we spent almost a day talking to the children with a lot of reporters following us around. The children were obviously doing very well. They were scoring at very high levels for reading and math.

It was interesting to me how much the press, not all the press, but much of the press that was there thought afterwards that it was not possible that these children could have actually come from the neighborhood; that these were really neighborhood children. The neighborhood, I should point out, is the same neighborhood that is portrayed in that Paul Newman movie, "Fort Apache", "The Bronx." This is a tough, urban neighborhood. It is a ghetto. And many of the press and others observers could not believe these were neighborhood kids because they were doing so well.

Well, I think the belief on the part of some in this permanent, impenetrable underclass is so strong that evidence to the contrary is not readily admitted. But there it was. It was being done. Those children are learning. They were learning math, they were learning English, and they were learning their other disciplines.

I will not recite to you all of the features of that school which make it possible for those children to learn. The school is in the process of moving those children out of the underclass into the mainstream and thus saving the lives of children.

But just let it be said that our notion about penetrating the poor segments of our society and making education something that people can latch on to to get out of that is not just a hope. We have a lot of evidence. We can do it.

Mr. HENRY. Thank you, Mr. Chairman. I yield back to the gentleman from Wisconsin.

Chairman HAWKINS. You have used the gentleman from Wisconsin's time.

Mr. HENRY. If he has any time left.

Mr. GUNDERSON. Mr. Chairman, I just want to request that I get his time.

Chairman HAWKINS. Do you want to use one minute of your time now or do you want to wait?

Mr. GUNDERSON. Well, if I have got a minute, perhaps I can use it now because I do have some other problems and conflicts as well.

Mr. Secretary, the concern that I have with very frankly both of the formulas that are in front of us right now is their impact on rural America. I understand the need and desire to concentrate, but when you are dealing with a $50 to $100,000 maximum grant, there is no conflict of centering this on one school building versus another. We only have one school building in most of our rural districts.

And part of our problem in rural America is even if you use the 1980 data, that does not adequately reflect the transition that has occurred in rural America and very frankly, the farm crisis that has all happened since then. So even the 1980 data is outdated for us.

A concern I have in addition to that is your bill does call for a State set aside. And the problem with a State set aside is that if you take money out of the present formula and set that up—in other words, if you take part of the pie and put it in a set aside for special projects, what that does is it reduces the amount of money by formula distributed to our school. And in a rural school, in all honesty, it is not a question of a good or a bad program; it is a question of a program at all.

I am not against the concept of improving the quality of Chapter 1 in any way, shape or form. But we have some real problems in maintaining a Chapter 1 program in rural schools across this country at all today, and we especially have a problem in trying to find a way to provide them some flexibilities.

I talked to my rural administrators. They are asking for the discretion to take say 5 or 10 percent of their Chapter 1 program funds and use that in terms of innovative projects within the school district. That type of concept is what they would like to see.

Do you have any comments in this area?

Mr. WILLKIE. First of all, the setaside to award successful programs is only for 1 percent. And we would like to think that we would be able to encourage successful practices that would benefit rural as well as urban school districts.

Secondly, with regard to targeting, we are seeking to shift our resources a bit to favor those districts which have a higher percentage of disadvantaged, educationally disadvantaged kids, whether they be low income or not, and that does not inherently discriminate against rural districts.

Obviously many of our rural districts have particular problems of poverty and educational disadvantage and we think that this formula would not in any way work against them. Where there were particular needs, it would work in their favor.

Mr. GUNDERSON. That is to say if 20 percent of the students are low income, then those districts would——

Chairman HAWKINS. Mr. Gunderson, could we indulge the committee. I would like to declare a three minute recess, and we mean three minutes.

Thank you.

[Recess.]

Chairman HAWKINS. Mr. Gunderson.

Mr. GUNDERSON. There is a problem even with the 20 percent. And the problem with the 20 percent, number one is that the way that we calculate income. Farmers have a high gross income. So number one, they are not going to qualify as poverty level income even under the 20 percent.

Secondly, in a rural district, let us not forget the 20 percent concentration grant is the trigger where we start counting. In other words, you have to have above 20 percent, and the reality of those factors is that rural areas will simply not benefit from those programs. We then get back to that original basic question which I have asked. For us is not a question of quality, I think our rural programs very frankly are as high a quality as anyone can assume considering the circumstances, it is a question of whether or not we even have a viable Chapter 1 program at all.

Secretary **Bennett**. Right.

Mr. **Gunderson**. So I guess what I am saying is that we are able to work with your Department in trying to deal with this question because——

Dr. **Carnes**. I think that what we have said all along is that we are not dug in on every nuance and every detail of these proposals. What we have done is to propose ways to achieve what we think are the principles that ought to be embodied in any legislation to reauthorize this bill.

The first of those we suggest is targeting. It is certainly an idea that almost everyone we have ever talked to and everything we have read advocates. And we have proposed a way to achieve that objective.

The second thing I would say about the 1 percent setaside is, even though it is held by the SEA, the money is required to go out to LEAs. LEAs would eventually get that money.

Beyond that, there is an increase in the appropriation for the basic State grant program so that basically every state's grant is going to go up on top of the 1 percent set aside.

Mr. **Gunderson**. Yes.

Chairman **Hawkins**. Thank you.

Mr. **Gunderson**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Mr. Kildee.

Mr. **Kildee**. Thank you, Mr. Chairman. I will try to stay within the five minute rule here.

Mr. Secretary, there are certain national purposes in education, and I think that national purpose is very clear in our need to compete in the world markets today. And vocational education certainly helps very much in that competition. I see that certainly in Flint, Michigan where Louie Chevrolet and David Buick lived and where we would like to produce more of those cars there today but we really are in a very, very competitive situation today.

So national purposes in education are clearly seen in many areas and I think very clearly seen in vocational education. Could you then give us your justification for cutting the Federal funds for vocational education?

Secretary **Bennett**. It is a matter of relative priorities, Mr. Kildee. We looked at the budget, looked at things that we wanted to advance and we essentially made substantial reduction in two areas. One was in higher education, shifting from grants to loans. That is another story. And the other area was vocational education where our request was reduced to zero.

The main driving factor behind that was budgetary. We could have said, well, we will not ask for a $200 million increase in Chapter 1. We will ask for $200 million in vocational education. But we decided to put the increase, what increase we do have, in this program.

The reason that we felt more sanguine and more comfortable about doing that was because of the density of funding for vocational education outside the Federal level. I think it is $11 of $12 spent on vocational education come from outside the Federal Government. We did not feel that our proposal would seriously harm or damage the cause of vocational education.

Given current deficit problems, this was a responsible approach. We used something like Mr. William Gray proposed last year. We need to distinguish between the desirable and the necessary at the Federal level.

And based on that distinction, we felt more comfortable making the choice the way we did.

Mr. KILDEE. But we are in extreme competition right now. I would invite you to come to Flint, Michigan. We are closing two plants down totally. The Buick plant, which is one of the most modern plants, is laying people off. We are in extreme competition. And to my mind for us to cut back on vocational education at that time is akin to—in this trade competition—is akin to unilateral disarmament.

We are taking one of the great weapons that we can use to help this country to compete and we are saying we are going to spend less money in that.

Now Weinberger certainly would not do that. He would certainly ask for more money, has asked for more money to compete in another area of competition. But we are in severe competition right now. I can recall the day when one could graduate from high school in Flint, Michigan on Sunday, and go to work at the Buick plant on Monday.

Now different skills are needed. Those who do go into the plant have to have basic educational skills tied very often with vocational education skills. And a good vocational education program ties these together very, very well.

A good vocational education program, for example, in mechanics will tie together ratio and proportions in math.

Now to my mind you had a couple of choices. The Federal Government is not giving much in vocational education. I would concede that. You had two choices. You could increase the Federal role or decrease the Federal role and you have chosen to decrease the Federal role, and I cannot understand why when we are competing right now in my city with Japan. We are in direct competition with Japan right now, and I do not think Japan is decreasing their commitment to vocational education.

Secretary BENNETT. Well, I could just repeat what I said, Congressman, except I will not do that because you have already heard it. But let me say a couple other things.

Vocational education will continue. Vocational education will continue to be offered in schools in States all over the country. It is a matter of relative priority. And I would say that the reason you saw us increase our request for Chapter 1 and not in vocational education was because the relative priority we attached to the importance of the achievement of the basic skills.

Yes, there is vocational education in Japan, but I would submit to you the reason for the Japanese success lies deeper than any specific specialized program. It lies in their effective practice of American educational ideals. It rests in good schools. Basic skills I think are still the first and most important requirement and that is why we put our thrust there.

Mr. **Kildee**. Let me tell you that you are compounding our problem in Flint. We are in competition with Japan right now. Buick is laying people off. The Fisher body plant is to be closed, kaput, gone. One of the Chevrolet plants is going.

Therefore, the tax base for the city of Flint is reduced. So we will not be able to spend as much in education as we were before. And at the same time you send us a message that we are going to cut out the federal money for vocational education.

How can we endure that?

Secretary **Bennett**. Well, Michigan as a state has been doing pretty well educationally according to our wall chart and by other indices. You have the second highest teachers' salaries in the country in Michigan. The resources of the State of Michigan are certainly still adequate to do the job if they are well deployed.

Mr. **Kildee**. They will not be adequate in Flint, Michigan. As soon as that Fisher body plant is closed, the tax base is going to be reduced. It is not——

Secretary **Bennett**. Well, I cannot comment on Flint, Michigan.

Mr. **Kildee**. You cannot what?

Secretary **Bennett**. I am not familiar with the situation in Flint. I concede that to you.

Mr. **Kildee**. Well, I suggest you come look at a place that is in direct competition with a foreign manufacturer, and when you are in direct competition with a foreign manufacturer, there are certain national purposes which should be served in education. And vocational education is clearly part of that national purpose.

Secretary **Bennett**. But a national purpose does not necessarily entail a Federal program, Congressman. It just does not follow.

Mr. **Kildee**. We had an old program. You are asking us to zero fund a program that has been in existence. You are not denying us a new program. You are retrenching in this area.

Secretary **Bennett**. That is right, because we have problems here too. Problems in Flint and River City and problems in Washington.

Mr. **Kildee**. Well, you have got regular problems, but you do not compete with foreign manufacturers.

Secretary **Bennett**. And one of the reasons we do not compete is we do not do a good enough job with the resources we have. We spend more than our foreign counterparts on education. We spend and spend and spend, and we do not get the results.

If educational excellence and competition, Congressmen, were a spending derby, we would win it hands down.

Mr. **Kildee**. You know what your philosophy seems to be. You know, you and I get along well. We have talked in my office.

Secretary **Bennett**. Sure.

Mr. **Kildee**. You and I come from a similar background. We wound up in different places. I have a classical education too, but we certainly departed somewhere along the line. But your philosophy seems to be that if things are not working well, then cut the funding for it.

Secretary BENNETT. No, make them work better. Make them work better.

Mr. KILDEE. Your philosophy——

Secretary BENNETT. No, if you have a deficit, you have to do something; you have to do something.

Mr. KILDEE. If vocational education is not working as well, then you want to bankrupt it. That is not going to solve anything at all. We need right now to have trained and skilled and educated people in Flint, Michigan to compete, and that is going to serve the national purpose that we can compete better. We have to have it and you are cutting us. At the same time, we are losing our tax base because of that competition.

Secretary BENNETT. Well, we do disagree. I would reject your characterization of my view, and I will not respond with a characterization of your view.

Mr. KILDEE. Well, I very often will emphasize my point. I find myself in sharp disagreement with you. I do not mean to be personally offensive, but I have got my people back home to protect.

Secretary BENNETT. Yes, sir.

Mr. KILDEE. If I have to be sharp in my line of questioning to protect them, I will do it.

Secretary BENNETT. You bet.

Chairman HAWKINS. Mr. Grandy.

Mr. GRANDY. Thank you, Mr. Chairman.

I would like to follow up on the general theme of my colleague from Michigan: competitiveness. In your opening statement Mr. Secretary you say, "Our proposal would provide States and locals with funds to help recognize outstanding teachers and to help attract qualified people from other professions into teaching. Again both are changes instrument to enhancing educational competitiveness."

I pit that against the administration's interest in shifting the emphasis on higher education funding from Pell Grants and work study and SEOGs and so forth with the philosophy being that since students are the major recipient of their education, they rather than the federal government should bear the major burden of the financing.

I would like to share with you what this means in terms of my state, Iowa, and how that philosophy would work.

The average annual cost of attending an independent college in Iowa is $9,551. If you go to a regent college, a state university, it is $4,773. So the need for the independent college student, assuming he wants financial aid, is $6,900, and the average need for a regent college student is $3,200.

What that means, of course, is that if students make the decision to attend regent colleges because of reduced cost, particularly in light of the shift in emphasis to student loans, the cost to the state of subsidizing education will increase tremendously. In Iowa, the State university student's subsidy is about 75 percent, while the independent colleges is about 30.

Here is the rub—and this goes back to your statement. Independent college graduates in Iowa, and I would probably think this would be true around the country, tend to go into more public sector jobs. They go into social services, they go into teaching. Students from state universities tend to go into the higher paying, private sector jobs, and this will only increase the cost to independent college students and act as a disincentive to enter teaching, for instance.

In other words, it is going to be very hard to provide that educational competitiveness if our students do not go into teaching because their debt load is so high they have to enter a more highly paying private sector job.

I think we can say on the basis of this example that a student is not necessarily the only benefactor of his or her education, particularly if he goes into a social service, which I think teaching is.

In addition we in Iowa are losing our young people faster than just about any other state in the Union. We would assume that our teachers would come from those ranks. An overwhelming emphasis on loans is an added incentive for students to leave the state in search of higher income areas. I guess one of the places they will not go is Flint, Michigan.

I agree with you that we need to attract qualified people into all professions. But it seems as though the emphasis away from guaranteed to income contingent loans, at least in my State, is going to achieve the opposite. I would like your comments on that.

Secretary BENNETT. Sure. I would not deny, Congressman, that you can find somebody, perhaps even dozens of people, hundreds of people who will say if I have an increased debt burden when I get out of college, I am not going into a low paying profession. This country is so big, it is so vast, there are so many people, there are so many stories, one can find them.

I did not know, by the way, that Iowa graduates tend to follow career patterns along that route, that is, independent college graduates tend to go into public service, and public institution graduates tend to go into other jobs.

A couple of comments. One, let us be careful that we do not take as absolute the notion that we prefer people to go into things like teaching and social work so that we do not have anybody going into making capital and producing in our society in other ways. It is good for people to go in and make tractors, too, and develop widgets and do all sorts of other things. I do not think people are virtuous solely by virtue of the profession they choose. It is good for people to run for Congress, too, and serve in Congress. I do not know whether that is a social service job or not.

But the tendency of Iowa graduates aside, be they public or private college graduates, we have seen a marked increase in interest in the profession we look at the closest, which is teaching, over the last four or five years.

More students are on loans today than they were four or five years ago. A greater proportion of the money is in loan form, and yet more students are declaring an interest in teaching.

I do not think, frankly, that interest in teaching is determined, even weakly determined, by whether there are grants or loans. I think the interest in teaching is determined by what kind of a job it is, what kind of a profession it is, what kind of salary do you get as a teacher, how much respect and regard will you get as a teacher. I think the same thing would be true for other professions.

Economic considerations enter into people's lives, there is no doubt about it, but they enter into lives of the 60 or 70 percent of the American citizens who never get to college. And so these are decisions that have to be made.

If a student in Iowa is trying to decide between Grinnell or the University of Iowa, one of the factors he may want to consider is how much more he would have to borrow, how much more he would owe. Again I would not deny that someone might not make a different decision on the basis of that economic situation. But in the aggregate, in general, I do not think it is going to determine very much which jobs people go into.

Mr. GRANDY. I would have to respectfully disagree at least at this point when our economy is in a down swing.

Mr. Chairman, if I could, I would like to ask unanimous consent to submit for the record an excellent essay that a student from my district in Iowa has written on the subject of drops in Pell Grants and how it is squeezing the middle class people who are very concerned about the debt load that they will have to carry if your cuts in higher education are adopted.

Chairman HAWKINS. Without objection.

[The material referred to follows:]

Clark Scholten
NWC Box 842
Orange City, IA 51041
February 17, 1987

Fred Grandy
House of Representatives
Washington, D.C. 20510

Dear Representative Grandy,

I am a resident of the Sixth District who has attended a private college for the past four years. While I have enjoyed my time at Northwestern College, I am concerned that many students will not be attending in the future.

~~I have enclosed an essay which I wrote for a class this semester, and I would appreciate it if you could find time to read it. I appreciate the difficulty in creating a budget for our nation, but I also encourage you not to cut off our future.~~

As a graduating senior, I have felt the tightening of budgets as well. ~~Although qualifying for the Iowa Tuition Grant for the past two years, I have not been awarded one due to lack of funds.~~ My hope is that other students are not discouraged from attending Northwestern.

I hope that the most equitable budget might be created, but I also hope that you might be the conscience in the House that recognizes the need of our country's students.

Sincerely,

Clark Scholten

Clark Scholten

Enclosure

Taking a loan on America's future

For 30 years the federal student aid programs have been built to make a higher education available to minorities, to women, and to the middle- and lower-class families throughout our nation. But this program, supposedly the great leveler between the "haves" and the "have-nots," now allows the "have-nots" to graduate from college with $17,000 in loans--a shadow which will follow these students for years to come. The proposed budget submitted by President Reagan would further cut the number of Pell grants and Supplemental Education Opportunity Grants (SEOGs). By considerably cutting the number of grants, most middle class American students will soon find a college education unaffordable. Cutting funds to these programs now is stealing the futures of millions of Americans.

The 2,834,000 students receiving the grants amply demonstrates that the need is present, but the amount of the grants is not keeping pace with tuition hikes. The continually increasing price tag on a college education makes it immediately obvious that this aid is necessary. When I started college in 1983, I was charged $3,500 for tuition at Northwestern College, but this year I needed to find $4,395 for tuition alone. Yet, according to The 1986 Statistical Abstracts of the United States, the amount of the average Pell grant has increased only slightly from $1,273 in 1985 to $1,285 in 1986. Thus while my tuition was raised 7% last year, the average Pell grant was raised less than one percent.

Furthermore, the number of grants decreased by 47,000 from 1985 to 1986--this trend shows that many students with middle-class parents will likely find the price for a college education to be too great. They will in essence be squeezed out through a combination of the increasingly higher price tag on a college education and their inability to obtain grants. As a result, an education will only be available to the very rich and the very poor. Students from wealthy families attend any college or university with little thought of cost, and the grants are readily available to low-income families. However, middle-income families cannot afford to send their children to the college of their choice; therefore, as the number of grants are cut, loans provide the only recourse.

And many students have been forced to borrow significant amounts of money for their education. From the same abstract, Guaranteed Student Loans (GSL) were shown to have increased considerably in number: from 3,564,000 in 1985 to a projected 3,712,000 in 1986, an increase of 4%. And as of January 1, the ceiling on GSLs has been raised so that future graduates might leave college with over $17,000 in loans. With this spectre threatening many students, the middle-class "have-nots" are losing ground steadily in the battle to get an education.

On the other hand, critics of the federal government's student aid program are quick to point out that instances of fraud--students not repaying NDSLs--within the system are steadily increasing. However, the Secretary of Education is responsible for dealing with those who engage in fraud. Prosecution of those who abuse the program is necessary, not an elimination of funds from the present system. Nor is evidence to support the claims of fraud readily available. In an interview with U.S. New and World Report, John Phillips, President of the National Association of Independent Colleges and Universities said, "Ninety-three out of every 100 loans are being repaid on time. In the last few years the net rate of defaults has actually declined, and we're constantly working to reduce it further."

Other critics say that an industrious student could work his/her way through college--but in fact these days are in large measure over. Inflation's effects on the cost of a college education have eliminated that idea. For example, I work about ten hours each week at a local bank. The $1,500 I earn over an entire year pays for less than one-half of a semester's tuition, room, and board costs. And the $2,500 I saved throughout the three-month summer vacation vanished the moment I stepped before the window at the business office on the first day of school.

In addition, I saved nearly $4,000 during high school for my college education. Unfortunately, the government requires that I use one half of my savings each year. With this requirement, a savings account dangles dangerously close to zero after only two years of college, when students who save hope it can be spread throughout their entire college career. Why should those who have saved be penalized for their foresight, while those who spend are rewared with grants? Apparently, the middle-class student cannot afford a college education even by saving for it.

A barrage of alternate means to finance a college education annually flood the homes of middle-class families when one of their children approaches high school graduation. Most of these plans are unaffordable--offering higher interest rates or less time to pay back these corporate loans. Even critics of federal aid attempt to create solutions by proposing new methods of alternative financing, but one must realize that education is not a calculated investment like one makes on the stock market.

In the September 8, 1986 issue of Business Week, Gary S. Becker, professor of economics and sociology at the University of Chicago, proposed just such a plan. He posited that paybacks on college loans be contingent upon the later success of the individual student. According to this innovative proposal, a fixed percentage of post-graduates' incomes would be removed from their paychecks for a specified number of years. This is not an investment; it is a barely disguised version of indentured servanthood.

Obviously, a graduate with a $17,000 loan on life is not entering the job market with the same expectations as the one who owns the future. No one knows just how much this will dictate a student's career choice, and attitudes toward things such as savings, Social Security, and even further debt. But, indeed, it will affect the futures of students and our nation. Suppose "John" graduates from college with $17,000 in loans. What has he learned from four years of post-secondary education? He has learned that saving money is useless, whether it be in a pre-college savings account or now in the Social Security system. He has learned to assume that savings all too quickly vanishes when it is needed. He has also learned that debt is unavoidable and something which must be tolerated. The debt in the public sector already exceeds our national debt, and this trend will escalate unless students can be shown something different--an education which can be affordable through government grants.

Nevertheless, many students still plunge ahead and take the chance--hoping for a better life than one without a college education. But education should not be a risk-taking venture; it should be a right of the people. Students cannot take on such a debt cavalierly, nor can they give up a chance to fully develop God-given talents. With the constantly increasing costs of college tuitions, more grants need to be made available not fewer, so that students have the chance to develop their talents and get the education they deserve.

Where will tomorrow's leaders come from if they cannot afford a proper education? By cutting the number of grants, our country's next Abraham Lincoln may not be able to attend college. Does anyone have the right to prevent the education of a young man or woman who might become George Gershwin, Louisa May Alcott, or Grant Wood?

America has long been the land of equal opportunity, and the time has arrived to give the middle-class student the same opportunity as that of the rich and the poor of our nation--the opportunity for an education without the menace of an enormous debt following them for years to come. Unless you as a Congressman fight against these budget cuts in federal grants, the future of the middle-class college student and indeed our nation appears bleak.

Mr. **Grandy**. I would ask you to be mindful of this, Mr. Secretary. To follow up on what Mr. Gunderson said, the way we calculate our asset base in Iowa, particularly land value, sometimes does not reflect how much money we have to spend on education.

Secretary **Bennett**. Yes, sir.

Mr. **Grandy**. If you have a huge debt load against that land, you cannot necessarily afford the tuition costs you could previously. I know because I represent a couple of areas that are very dependent on Pell Grants. If those grants are cut or eliminated, we are cutting a life's blood and the community suffers. That college is a major business in those communities.

Secretary **Bennett**. Right.

Mr. **Grandy**. I am talking particularly about the independent colleges. I do not have any of the regent universities in my District.

I know the need to attract teachers is there, but I do not think that we should move away from allowing them financial assistance to choose that profession and then indenture them so deeply in debt that they cannot make it as a teacher. That is my concern.

Secretary **Bennett**. Okay.

Mr. **Grandy**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Mr. Williams.

Mr. **Williams**. Thank you.

Mr. Secretary, let me continue a line of thought that Mr. Biaggi started and you responded to, and then it was followed up by Mr. Kildee, and that is this matter of whether or not we can buy our way out of this.

Let me recall for you that you and I had this discussion a few weeks ago in the House Budget Committee. You said at that time all we hear from you folks is money, money, money. That is all we hear about. At that time, I indicated to you that I had never met anyone that thought we could buy our way out of it, or that we could solve these education dilemmas by just throwing money at it; that the Congress, the United States for 25 years had been involved in trying to move innovation to education. Sometimes, yes, there is a dollar figure inherent in that.

I also indicated to you that I thought that this innovation of the past 25 years in part promoted by federal programs had some good results.

To that you responded, and this is where I would like to pick up on our earlier dialogue, you said, and I am quoting now, "You must be the only person in the world who does not know that our scores went down precipitously in that period. We do not have a great track record in the '60s, in the '70s in American education."

You were, of course, referring to test scores and the like. Time ran out on us at that point and we were not able to continue. But it is important because we need to know whether or not what we are doing is working in any degree.

Test scores in the elementary and secondary schools, achievement test scores began a sizeable drop in the mid-1960s. And by the way, in general, that drop was in the higher grades. In the lower grades, there was not much, if any, noticeable decline in achievement scores.

When they moved into school and begin taking the achievement tests, we found that the declines ended. And we began to see an improvement in those test scores.

Now, the point is, of course, that those children were in school at a time that was characterized by the creation of the major Federal efforts in education, such as Title I and Headstart. So, to continue the dialogue, I would ask that you respond to what appears to be a pretty firm indication that when we measure the achievement of those children that the Federal education programs applied to, we find that their test scores are improving.

Secretary Bennett. Sure. But you have several questions there, Mr. Williams.

No one has denied—I certainly have never denied—that Chapter 1, for example, has had some successes. It has. The study we have just concluded suggests it has some successes, but it indicates, also, ways in which the program should be improved because the gains students made are I think still too slight. They tend to disappear over time. We tend to see some improvement in mathematics, but not as much in reading.

No one has argued that a well-conceived, well-targeted Federal program can not help. I have not argued that. But I will stick to my guns firmly about the '60s and '70s when academic declines took place despite increases in Federal expenditures. I have not suggested that Federal programs caused the educational decline. What I have suggested is that a massive array of Federal programs did not solve the problem. They did not, and they will not in the future.

We can have a hearing, if you would like, devoted to this, and have it last all day. We will bring our educational research and go through every aspect of this. I think it is pretty clear what correlates well with educational achievement. A key to educational achievement is not expenditures, be it federal or State or local. There are other factors. There is a massive body of evidence and research that support this.

That is not to say we should not look at Federal programs. That does not say we should not be trying to improve this program. But the general notion to which I was responding at the time of our earlier meeting was that we put all these Federal programs into place during the '60s and '70s, and that they all proved successful and have a marvelous track record in improving the achievement of our children. That just is not the case.

Mr. Williams. Well, Mr. Secretary, I am pleased to hear you say that you are not indicating that there is a connection between increased Federal spending and decreased achievement test scores because the President has publicly stated that he believes there is a correlation to it.

Secretary Bennett. You are saying connection and correlation and causation. These are terms of art, and we need to be very careful.

Mr. Williams. Yes. Well, the President has said publicly on more than one occasion that he has noted that as Federal spending has increased on these education efforts, test scores have declined.

Secretary Bennett. That is true.

Mr. Williams. And then I guess he leaves it——

Secretary **Bennett**. That is true.

Mr. **Williams**. He leaves it to the listener to put 2 and 2 together and get the 5 that he gets, and the 5 I assume is that the increase in Federal spending caused the decline in the test scores. I am pleased to hear you say you do not believe that.

Secretary **Bennett**. That would not be a valid conclusion from that premise.

Mr. **Williams**. We now see in higher education an upturn in test scores, the first time in a long time.

Secretary **Bennett**. In where?

Mr. **Williams**. In the SATs, for example.

Secretary **Bennett**. Right.

Mr. **Williams**. Verbal and math in SATs.

And it is very interesting to note that that upturn in higher education achievement scores coincides with the entering into college of those students who were born in the early '60s and now have attended school during the height of the innovative Federal programs that have been put into place. As they enter college, we see the test scores starting to turn around and improve.

I think there may well be a correlation between the increased spending on education from the Federal level, the innovation that was put into effect with programs like Headstart and Chapter 1, and the upturn in test scores. I think that is probably where the correlation is.

Dr. **Carnes**. If I could, Mr. Williams, and I would ask the Chairman too, if we could submit for the record a summary of 147 studies that we have that indicate that at best there is only a very weak correlation one way or the other with Federal spending on education programs and the educational performance of the children.

In fact, one of the most recent was done by the former deputy director of the Congressional Budget Office which concluded that there is virtually no correlation whatsoever between academic performance and Federal funding.

Secretary **Bennett**. Can we submit that?

Chairman **Hawkins**. Yes. Without objection, the study referred to will be submitted.

Dr. **Carnes**. Thank you.

[The material referred to follows:]

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE GENERAL COUNSEL

THE CONSTITUTIONALITY OF CHAPTER 1 COMPENSATORY EDUCATION CERTIFICATES

EXECUTIVE SUMMARY

The Education Consolidation and Improvement Act Amendments of 1987 would authorize local educational agencies (LEAs) to provide compensatory education certificates (CECs) to parents of Chapter 1 children. An LEA could provide a CEC if it determined that doing so would be more effective in meeting the needs of the eligible children in question or is necessary to furnish them with required Chapter 1 services. The parent could use the CEC only to purchase supplemental compensatory education services from a public or private elementary or secondary school or other service provider such as an institution of higher education.

This CEC proposal is consistent with the Establishment Clause of the First Amendment of the United States Constitution. It meets each of the parts of the three-part test normally used by the Supreme Court in considering cases under the Establishment Clause. Because it is designed to improve the effective delivery of Chapter 1 services for educationally deprived children attending public and private schools, it has a secular legislative purpose. The primary effect of the proposal is not to advance or inhibit religion. Because benefits are available to both public and private school children and because the use of CECs in private schools results from the decisions of individual parents, the proposal meets the primary effect test under principles stated by the Supreme Court in Mueller v. Allen and Witters v. Washington Department of Services for the Blind. The proposal does not foster an excessive government entanglement with religion. Unlike the situation involved in Aguilar v. Felton, public school teachers do not provide instructional services on private school premises. The contacts between public and private school personnel contemplated by the CEC proposal do not involve the pervasive monitoring which gave rise to entanglement in the Felton case. These contacts are in the aggregate comparable to those applicable to the program upheld in Mueller v. Allen.

The proposal is also consistent with the concurring opinion of Justice Powell in Aguilar v. Felton indicating that "a program of evenhanded financial assistance to both public and private schools that could be administered without governmental supervision in the private schools" could pass constitutional muster.

In summary, under the standards stated in the Mueller and Witters cases, the CEC program is consistent with the Establishment Clause.

MARCH 1987

Mr. FORD. Mr. Chairman?

Chairman HAWKINS. Mr. Ford?

Mr. FORD. I would ask unanimous consent that contemporaneous with whatever they have as a study, you take the Perry School from my district and the study extending over 20 years of what, in fact, does happen to kids who get into federal programs, and I think that is a success story that ought to be told every time we get a chance.

Chairman HAWKINS. Without objection, that study also will be included.

[The material referred to follows:]

WHAT THE NEWEST RESEARCH IN EARLY CHILDHOOD EDUCATION COULD MEAN FOR YOUR SCHOOLS

Lawrence J. Schweinhart
High/Scope Educational Research Foundation
600 N. River Street
Ypsilanti, MI 48198
(313) 485-2000

> It would be hard to imagine that society could find a higher yield for a dollar of investment than that found in preschool programs for its at-risk children.
>
> Committee for Economic Development
> *Investing in Our Children*

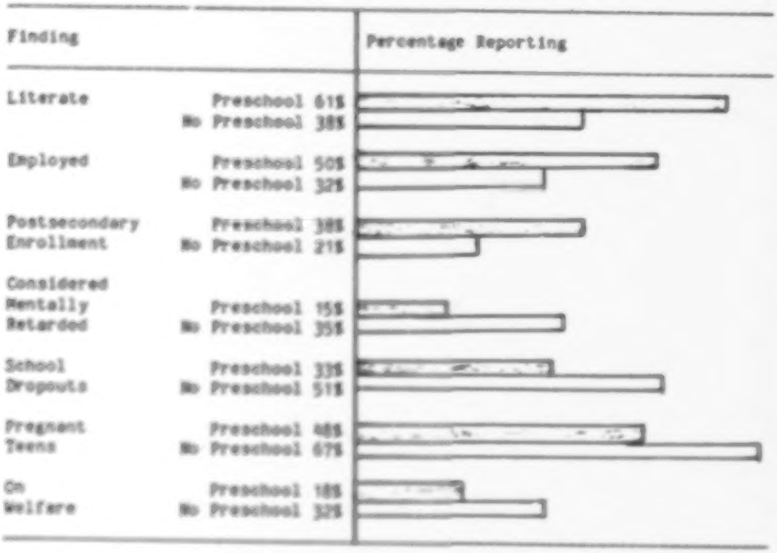
Good Preschool Programs for Poor Children: A Sound Public Investment

Renewed public interest in early childhood programs in the U.S. springs from the growing need for child care and the need to lessen the harmful consequences of childhood poverty. The percentage of mothers of young children who were employed, 14% in 1950, was 48% in 1985. The percentage of young children who were poor, 15% in 1969, was 23% in 1985.

The High/Scope Foundation's Perry Preschool study strikingly demonstrates the potential benefits of high quality early childhood programs for poor children. In the study, poor 3- and 4-year-olds were randomly assigned either to a group that attended the Perry Preschool Program or a group that did not. Years later, when the young people were 19 years old, the program apparently *increased* the percentage of persons who were literate, employed, and enrolled in postsecondary education; and *reduced* the percentage of persons who were considered mentally retarded, school dropouts, pregnant as teenagers, and on welfare.

Presentation at the annual convention of the National School Boards Association, San Francisco, CA, April, 1987.

PERRY PRESCHOOL STUDY FINDINGS AT AGE 19



An economic cost-benefit analysis of the Perry Preschool Program and its long-term-effects revealed that such a program can be an excellent investment for taxpayers, returning six dollars for every dollar invested in a one-year program, three dollars for every dollar invested in a two-year program.

Other research on good early childhood programs for poor children confirms that such programs have positive short-, mid-, and long-term results. The evidence is that these programs do help improve children's intellectual and social performance as they begin school, probably help children achieve greater school success, and can help young people achieve greater socioeconomic success and social responsibility. Yet, despite these findings, fewer than one in three poor children has the opportunity to attend a preschool program.

These findings apply to children who live in poverty and are at risk of school failure. There is less evidence on preschool program effectiveness for children who are not poor or otherwise at risk of school failure. A good rule of thumb is that a preschool effect found for poor children applies to middle-class children somewhat, but to a lesser extent than for poor children.

Only good preschool programs have achieved such impressive results: a child development curriculum with appropriate assessment procedures, teaching teams that are trained in early childhood development and continue to receive such training, administrative support that includes curriculum leadership, classes with 2 adults and fewer than 20 children, and systematic efforts to involve parents as partners in their children's education. An expensive preschool program with a high return on investment makes more economic sense than an inexpensive program with a low return.

The Importance of Child-Initiated Learning Activity

One of the few longitudinal studies comparing early childhood curriculum approaches has found evidence that child-initiated learning programs may help to prevent juvenile delinquency better than do teacher-directed instruction programs. While this finding requires confirmation from other studies to serve as a basis for public policy, it can serve as a spur to educational thinking.

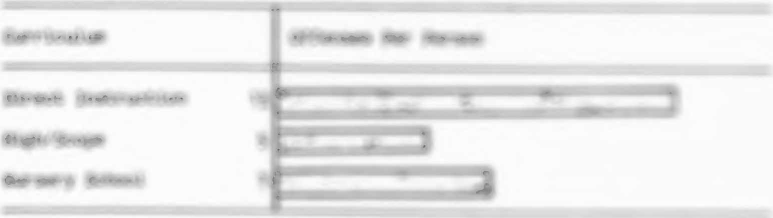
The High/Scope Preschool Curriculum Comparison study traced the effects on young people through age 15 of three well-implemented preschool curriculum models—direct instruction, High/Scope, and a child-centered nursery school. Sixty-eight impoverished children in Ypsilanti, Michigan, were randomly assigned to attend these programs at ages 3 and 4; 79% of them were interviewed at age 15.

The direct-instruction approach, developed by Carl Bereiter and Siegfried Engelmann, sought to efficiently teach academic skills by scripting the teacher's role and eliciting and reinforcing frequent responses by children. The antithesis of direct instruction was the child-centered nursery school approach, in which children initiated their own play activities, with the teacher keeping them safe from harm and not interfering. The third alternative was the open-framework approach of the High/Scope curriculum, which placed both teachers and children in an active role. Children initiated their own activities as in the child-centered approach, but the teacher also maintained an active role by arranging the room to promote children's active learning, making plans and reviewing activities with children, interacting with individual children throughout the program day, and leading small and large group sessions.

The mean IQ of the children who had attended these three high-quality preschool programs rose a remarkable 27 points during the first year of the program, from 78 to 105 and remained in the normal range with 94 at age 10. Except for a temporary IQ advantage for the direct-instruction group compared to the other groups at the end of the program, the groups did not significantly differ in their IQs and school achievement scores over time. We concluded prior to analyzing the age-15 data that well-implemented preschool programs had a positive effect, regardless of which curriculum model was used. This conclusion was based not only on the early results of our curriculum study, but also on the great variety of early childhood programs whose effectiveness had been documented by research.

Then, in the curriculum study at age 15, we were quite surprised to discover that the High/Scope and nursery-school groups reported engaging in only half as many delinquent acts as the direct-instruction group. Groups did not differ in the arrest rate that they reported, probably because

PRESCHOOL CURRICULUM STUDY: SELF-REPORTED DELINQUENCY FINDINGS



it was so small (average of [illegible]), lagging far behind the offense rate. If we define a high-rate offender as one who reported over [illegible] delinquent acts, [illegible] of the direct-instruction group were high-rate offenders, as compared to only [illegible] of the other groups. The High/Scope and nursery-school groups reported only one fifth as many acts of property violence as the direct-instruction group and half as many acts of personal violence, drug abuse, and in-family offenses. It may be that a direct-instruction preschool program does not take full advantage of the opportunity available in a preschool program to positively influence children's social development.

Primary References

Changed Lives: The Effects of the Perry Preschool Program on Youths Through Age 19, [illegible] prepaid.

Young Children in Action: A Manual for Preschool Educators, [illegible] prepaid.

"Consequences of three preschool curriculum models through age 15" Reprint from the Early Childhood Research Quarterly, [illegible] prepaid.

These publications may be ordered from:

High/Scope Press
600 N. River Street
Ypsilanti, MI 48198
(313) 485-2000

Secretary **Bennett**. I have some other individual school histories I would like to submit too.

Chairman **Hawkins**. Well, perhaps you might submit the—I understand we had a study which was supposed to be submitted in January——

Dr. **Carnes**. Yes, sir.

Chairman **Hawkins** [continuing]. From the assessment. Is that——

Dr. **Carnes**. That study will be submitted in April.

Chairman **Hawkins**. If the gentleman would yield.

Mr. **Williams**. Yes.

Chairman **Hawkins**. Would that be included?

Dr. **Carnes**. It will be submitted in April, sir.

Chairman **Hawkins**. We have been waiting for it. This bill may be out of committee. The bills may be out of committee by April. We would appreciate——

Dr. **Carnes**. You will have the study in April, sir, but yesterday the director of the study testified on the results of that study before this committee. In addition, we have already submitted two preliminary reports. That report will be submitted in its entirety in final in April.

Chairman **Hawkins**. Thank you.

Mr. Williams?

Mr. **Williams**. Concluding, Mr. Chairman, this is very interesting because we have heard for a long time now the primary slogan of this administration which is you cannot solve problems by throwing money at it. Now, I do not know of anybody who disagrees with that. But what the administration witnesses are saying to us is, we would like to submit studies for the record that show that that is inconclusive. Maybe you can solve problems by throwing money at it. Maybe you cannot. the record is inconclusive. That is what they are telling us, which is quite a turn.

Dr. **Carnes**. Quite the contrary. The record is conclusive that there is no correlation here.

Mr. **Williams**. Does the record show a correlation either way?

Dr. **Carnes**. Some studies show either no correlation; other studies show only a weak correlation.

Mr. **Williams**. Well, that is my point.

Secretary **Bennett**. Excuse me. Mr. Williams, we can try to emphasize the differences or we can try to meet on some common ground. Let me suggest, at least just for the heck of it, some place where we might agree.

I do not think—and I do not think you believe—that we can get better education just by throwing money at it. I believe we both think that the effective or wise deployment of funds can improve education. And that includes local funds, State funds and Federal funds.

We are not here calling for the abolition of Chapter 1. We are calling for a $200 million increase in Chapter 1. My sense is from many members of the committee—at least I am taking a wild guess—that people think that there should be more money in that program.

All right. Suppose you decide to reject the administration's request for a $200 million increase, and you want a $500 million increase or an $800 million increase. All we would say at that point then is, if you reject our position on the budget, can we work together on how the money is spent, on how the money is deployed?

And it seems to me—and this is where I would like to suggest some agreement—that when we look at the Hawkins-Goodling proposal and our proposal, there is a lot of overlap. And what one might generalize from that overlap is this: Whatever the funding level, we need to reward success. We need to have greater accountability. We need to provide opportunities for assessment and evaluation. Those things, are really the bottom line.

The Federal Government is going to be in this business, I think, for some time into the future. What we are saying is, look, we think we have pretty strong evidence about what works and what is effective. If we disagree on the money levels, okay. Whatever amount of money is spent, let's spend it more effectively if we can.

Mr. Ford. Will the gentleman yield briefly?

If you follow the hypothesis that the Secretary and his people have just been giving us, it follows that lifeboats are a waste of money on oceangoing ships because when the *Titanic* went down, there were not enough lifeboats for all the people.

Secretary Bennett. That is ridiculous.

Mr. Ford. Therefore, that proves that they wasted money buying the ones they did have.

Secretary Bennett. Congressman, good grief.

Mr. Ford. There were not enough lifeboats for the people in this program. You are talking about a program that has never reached even 50 percent of the children who presumptively could benefit from it, and blaming that program for not solving the problems of the '60s.

Secretary Bennett. I am not blaming that on the program at all. When did I say I blamed that on the program? I never said that. When did I say that?

Mr. Ford. I thought that is what all the studies you were going to submit were going to show us.

Secretary Bennett. No. There is a weak correlation between Federal expenditure, Federal programs and educational achievement.

I do not want to get into your lifeboats and the *Titanic*. I'll sink.

Mr. Williams. Thank you, Mr. Chairman. Thank you, Mr. Secretary.

I think that this discussion is very helpful because we need to get away from destructive slogans, like you cannot solve problems by throwing money at it. That just tends to let people choose up sides and say, wait a minute, we do not believe in just throwing money at problems. We are for innovation too. I see the Department and at least this committee coming together a little more than I have seen in the past with regard to saying, yes, we need to look at studies. We need to see what the correlations are. We cannot at this point prove it either way. I think that is an improvement.

Secretary Bennett. I do too.

Mr. Williams. Thank you, Mr. Chairman.

Secretary Bennett. I can certainly give up the notion that you cannot solve problems by throwing money at them if others will give up the notion that the Reagan Administration proposals are an act of unilateral disarmament. I will not say the former for three days. Let others not say the latter for three days. [Laughter]

Chairman **Hawkins**. Mr. Sawyer?

Mr. **Sawyer**. Good morning, Mr. Secretary.

Secretary **Bennett**. Good afternoon. Good morning.

Mr. **Sawyer**. No, we can still say good morning.

Secretary **Bennett**. It has gone fast.

Mr. **Sawyer**. Let me continue for a moment with this notion of innovation. I want to tell you that I agree with a lot of things that we ought to take the rhetoric out of our vocabulary. Let me talk about worthy ideals——

Secretary **Bennett**. Great.

Mr. **Sawyer**. We need to discuss the goals we need to set in order to assure that our children will achieve science and math literacy by the 21st Century, and the importance of innovation in proceeding toward that goal.

The Department in partnership with the National Science Foundation has devoted small amounts of money, about a million and a half dollars a year each, to support of public broadcast programs like 3-2-1 Contact and Square 1, a program just getting under way, that I think represent that kind of partnership that is important in the promotion of increased science and math literacy. I gather that kind of funding is in jeopardy. I am using that as an example, can you comment on that?

Could you talk about the kind of partnership innovation, particularly in pre-college math and science, that the Department proposes? The NSF program is a good example of that.

Secretary **Bennett**. Sure. I will ask Dr. Carnes to comment first on the TV aspects.

Dr. **Carnes**. NSF has a lot more money for this activity than we do, but we are engaged in cooperative efforts with them. We have almost completed negotiations with them for additional support on our behalf for activities in '87 and conceivably beyond. This would include a new math television program which we are now supporting as well as 3-2-1 Contact. There is Voyage of the Mimi and other programs that we are supporting jointly with NSF. So, we are not curtailing our efforts in that area.

Mr. **Sawyer**. That is good news.

Secretary **Bennett**. Just more generally, if you do not mind.

Mr. **Sawyer**. Yes.

Secretary **Bennett**. Japanese success in math and science is not due to Japanese educational television. It is due to the quality of instruction in first, second, third, fourth, fifth, and sixth grades, a lot of drill, high expectations of students and the like. All these things run together. We should use every ally that we can.

We were happy to support 3-2-1 Contact. We were happy to support Square 1. I want to see a few more chapters of it. I want to see a little more math than I have seen. I have been promised that there will be.

But if the activities going on in those kinds of programs, which ought to be viewed as helpful auxiliaries, are not matched by a real effort and a real commitment in the classrooms, we are not going to get very far. We are not going to get our kids up to speed in math and science through TV.

Now, I think one other thing that we need to look at is the teacher training initiative we are proposing. You may want to differ with it in part, but what it does—and we are working with NSF on this one—is give teachers an opportunity to spend summers, for example—doing advanced work in disciplines. We are very interested in emphasizing disciplines like math and science. This is an area where we need to enhance people's confidence. What people teach and how well they teach follow their confidence and ability in a subject area. So, we think our initiative in this area is a promising one.

Mr. **Sawyer**. Well, Mr. Chairman, I'd like to pursue that for just a second, I tend to agree that those kinds of programs do not do much to solve the larger problem.

Secretary **Bennett**. Not by themselves, right.

Mr. **Sawyer**. They create an environment where the work that is done is conducted in a more receptive environment.

Secretary **Bennett**. Sure.

Mr. **Sawyer**. And it seems to me also that if there is an arena of—a sector of educational disadvantagement that is not demographic, but rather disciplinary, it is in precisely those fields.

Secretary **Bennett**. Yes.

Mr. **Sawyer**. And that those cross precisely those kinds of economic boundaries that we have talked about a great deal here this morning. The kind of innovation that comes through partnership, not just in television, but in every avenue of investment that we might make in partnership with NSF, ought to be given the same kind of consideration and priority as we are devoting this morning to the concerns of the economically neediest among us.

I appreciate your interest.

Secretary **Bennett**. Yes, sir. Thank you.

Chairman **Hawkins**. Mr. Solarz?

I am sorry. Mr. Bartlett had come back into the room.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Chairman **Hawkins**. I did not recognize him at first.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Chairman **Hawkins**. And you are next, Mr. Solarz.

Mr. **Bartlett**. Mr. Secretary, I would like to focus on two issues as an overall, broad question. I would just comment that many issues in this debate and consideration of authorization and reauthorization, and these two specifically, it seems to me that we are all better off if we all, including members of this committee, as well as you and the Department focus on the education and educational curriculum and results of the issue and not the political statements surrounding those issues. And so, my questions will sort of take up the two that may have the highest political profile, but again try to treat them as educational issues.

The first one is with regard to the *Felton* decision and your proposal for parental certificates or educational certificates. I have a twofold question.

First, could you give us some sense as to how you can verify to us that your proposal for educational certificates will pass constitutional muster?

Secretary **Bennett**. Mr. Willkie?

Mr. WILLKIE. Well, we will not have a definitive resolution, to that question, Mr. Bartlett, until such a proposition is tested in the judiciary. We appreciate that the legal questions here, the constitutional issues, are very complex. The Federal Government has been in the business for over 20 years of providing assistance to students in parochial schools, and the constitutional questions which arise therefrom are never easy questions to resolve.

Having said that, we are satisfied that the proposal that we are submitting today with regard to the compensatory education certificate would pass constitutional muster. We have prepared an exhaustive legal memorandum on that subject, which we would be happy to submit to this committee for its consideration.

In brief, I would say that we think that it would pass muster because aid would be provided to the parents of students, not directly to the parochial schools. This would then comply with the reasoning of the court in the *Mueller* decision and the *Witters* decision with regard to Federal or State aid provided to parents or to students who can then use the benefit at a religiously affiliated institution.

I can expand on any aspect of that if you would like.

Mr. BARTLETT. No. I think that is what we were getting to. With the permission of the Chairman, I think it would be helpful if you would provide that legal memorandum to the committee.

Mr. WILLKIE. Sure.

Mr. BARTLETT. If it is especially exhausting, could you provide us with a non-exhausting summary of it.

Mr. WILLKIE. An executive summary. I will be happy to do that too.

Mr. BARTLETT. The main arguments. I do think that that particular issue needs to be resolved to the satisfaction of the Congress and the committee and yourselves before we can go on to the substantive issues.

Mr. WILLKIE. Yes, sir.

Mr. BARTLETT. Second, with regard to the *Felton* decision itself, I wonder if you could describe some innovative ways to resolve that. Are there other innovative ways besides the certificate program? Or is that the essence of your proposal?

Mr. WILLKIE. Well, what we see is that there are a variety of innovative ways currently being adopted by state and local education agencies in attempting to serve those private school students. We believe that we facilitated that process by virtue of the national guidance that we have given which has attempted to provide maximum flexibility, as well as advice, to school administrators as to how to wrestle with this.

Mr. BARTLETT. In light of that, could you provide us—and you may have it today—with the answer to the question in as quantifiable way as you can as to what happens to school children, that are not going to be served unless we resolve *Felton* with something? Could you give us a scenario as to the difference in terms of educational opportunities under the certificate program that you are proposing versus under our current status quo of the—it is called euphemistically, "alternative delivery system."

Mr. WILLKIE. Yes, sir. I would be happy to do that.

Mr. **Bartlett**. If you could help us with some quantifiable data on that.

And second is in the area of bilingual education. I generally concur with your goal of adopting additional flexibility in curriculum, and that I think does keep it as an education issue.

But, my question is this. As part of your legislation, what do you include in your legislation that would insure that the second and equally important goal of bilingual education be met? And that is to say, that students would continue under a bilingual education program of any curriculum—would continue to be given an opportunity to keep up with their other subjects other than the acquisition of English. There are two goals of bilingual education: the acquisition of English and keeping up with other subjects.

What do you have in your proposal that would ensure that students would be given the opportunity to keep up with their other subjects?

Mr. **Willkie**. Well, continued enforcement of Title VI of the Civil Rights Act of 1964, which by our regulations has been interpreted to require school districts with language minority children to provide adequate services to those children to overcome their linguistic handicap and ensure that they meet educational requirements.

Mr. **Bartlett**. It is a Federal grant. Bilingual education is a Federal grant.

Mr. **Willkie**. We are involved in two ways, Mr. Bartlett. One is Title VII of the Elementary and Secondary Education Act, which is the Federal grant making program through the Office of Bilingual Education, and second is enforcement of Title VI of the Civil Rights Act of '64, which is done by our Office for Civil Rights.

Mr. **Bartlett**. I understand. And I suppose what I am suggesting is that we ought to have a way to get at that issue much more directly because it is not a political issue, and it is not a civil rights issue either, although you can make it into either of those. It is an issue of making certain that a child that does not speak English is able to keep up with their math course while they are learning English.

So, what in your proposal do you have that would insure that a grant made to a school district would contain that?

Mr. **Willkie**. To get funded under the program, an applicant and ultimately a grantee would have to assure that the plan that it has to provide education, whether it is transitional bilingual education or English as a second language or structured immersion or whatever, would at the same time meet those goals by whatever means the school chooses to use. That would be a condition—their plan is a condition of acceptance of that grant. That then is monitored by us in terms of compliance with the project. It is an auditable provision of the grant.

Mr. **Bartlett**. So, it would be your intention to keep that as a part of Federal law.

Mr. **Willkie**. Absolutely.

Dr. **Carnes**. Absolutely.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Thank you.

Mr. Solarz?

Mr. **Solarz**. Thank you very much, Mr. Chairman.

Mr. Secretary, would it be possible for you to provide us with a section by section analysis of H.R. 90 and 950 so we could have the benefit of your views on each section of those bills?

Secretary **Bennett**. Yes, sir.

Mr. **Solarz**. Thank you.

I would suppose that the test of whether or not Federal education programs are effective is whether or not they are producing better education for the children than the children would otherwise have. I should think that probably the ultimate measurement of that is whether, in fact, students are performing better, who participate in these programs, than they otherwise would.

If in fact, according to these studies that you refer to, there is either no correlation or at best a very weak correlation between federally funded education programs and the performance of the students in those programs as measured by various standardized tests, then why are you recommending a $200 million increase in Chapter 1? One might ask, why are you not recommending the elimination of Chapter 1 on the grounds that studies seem to show that it is not producing any improvements?

Secretary **Bennett**. Our studies do not show that Chapter 1 does not produce any improvement. Rather, they show that Chapter 1 produces some improvement. The key, Congressman, is that Chapter 1 programs tend to produce the best improvements, the most noticeable improvements, in combination with other factors going on in the school.

The reason that we are seeking an increase, and that our conscience is clear on that, is because throughout our proposal there are some of those other features which we are confident, will produce enhanced educational achievement.

Mr. **Solarz**. Now, in H.R. 90, Title I provides $530 million for three new education areas: literacy training, vocational training, math, science and foreign language education. Are you opposed to these provisions? If so, is it essentially because of budgetary reasons? Are you opposed to them for some other reason? Or do you, in fact, support them?

Dr. **Carnes**. Mr. Solarz, we are talking about H.R. 950? I am sorry.

Mr. **Solarz**. No, H.R. 90.

Dr. **Carnes**. 90.

Mr. **Solarz**. Title I of H.R. 90 provides roughly half a billion dollars for three new education initiatives.

Dr. **Carnes**. Right.

We are supportive of a lot of the efforts that are laid out in this bill. And we, in fact, have legislation in some of these areas ourselves where we think that improvements ought to be made. A number of them are overlapped with H.R. 90.

We are, however, in a position where we are going to find it extremely difficult, if not impossible, for us to recommend endorsement of the legislation because our position is that we have to make room for it someplace else. Essentially our argument is a budgetary one.

Mr. **Solarz**. So, you are then opposed to Title I of H.R. 90 on budgetary grounds. Are you saying, in effect, these are good ideas, they are worthy ideas? Are you saying it would make sense to provide the money if we had it, but given the nature of the budget crisis, we simply cannot afford it at this time?

Secretary **Bennett**. We would certainly say the latter in terms of budget. In terms of the features of the bill, I think we would want to comment differently on different parts of it. I could not give you that——

Mr. **Solarz**. Well, could you provide that?

Secretary **Bennett**. Yes, sure.

Mr. **Solarz**. I think it is important for us to know whether your objections are purely budgetary or whether you have some substantive objections too. There could be ways that the committee might reject your budgetary argument, but might accept recommendations for how to make the programs more effective if we are going to provide the funding for it.

Secretary **Bennett**. Right.

Mr. **Solarz**. Now, let me see if I understand your position correctly on the formula change you suggest to provide more funds for the economically deprived and economically disadvantaged students.

You say this would not shift funds from the current formula to any State or county. But this is not clear to me. For example, in a place like New York City where we have many school districts within the local education agency, would your formula change result in a shift in the resources available to the LEA in New York or just to the school districts within New York?

Dr. **Carnes**. Let me clarify one thing on that just for a second, Mr. Solarz.

What we are saying is that no county that is now in is going to be out. Individual county's allocations may go up. They may go down. Individual school districts within those counties may also go up or go down depending upon the concentration of poor kids.

Mr. **Solarz**. Well, how would that apply to New York City, for example?

Dr. **Carnes**. Off the top of my head, I do not have the New York City figure. But I can provide it.

Mr. **Solarz**. Because the New York City Board of Education—the Federal funds go to the board or education——

Dr. **Carnes**. It goes up.

Mr. **Solarz** [continuing]. Which in turn gives them—pardon?

Dr. **Carnes**. It goes up.

Mr. **Solarz**. For the City.

Dr. **Carnes**. Yes, sir.

Mr. **Solarz**. Presumably for a number of districts within.

Dr. **Carnes**. Yes, sir.

Mr. **Solarz**. But the formula results in more money to the LEA, which in turn divides it among the schools within its area.

Dr. **Carnes**. Yes, sir.

Mr. **Solarz**. That is what you are saying.

Mr. Secretary, you spoke about the importance of raising expectations. Obviously there are other factors that you think go into good education such as leadership, parental involvement and the like which are not directly related to level of Federal funding.

Do you have any thoughts on what, if anything, we can do in the Congress here at the Federal level to effect these other considerations in a positive fashion? Is there anything we can do in terms of facilitating greater expectations throughout the schools of the country, or more effective educational leadership, or more parental involvement or the other factors that you think are involved in creating better education?

Secretary **Bennett**. That is a very good question, and I appreciate it.

I think I would start—and maybe this is just the focus of my attention this morning—with a careful review of our proposals for the reauthorization of Chapter 1 because a number of those features are in that proposal. This is the Federal Government's largest single elementary and secondary education program.

I guess I would put it this way, Mr. Solarz. There seems to me, from reviewing our proposal and the Chairman's proposal, that there is a lot of overlap. We have to decide how we are going to come out on choice. And I think we have made our position clear.

There seems to be considerable overlap in the two proposals in areas of accountability, parental involvement, rewarding success and the like. It would, I think, be quite impressive if, as a result of this hearing and other deliberations, the administration and the Congress could work together on establishing a significant number of basic principles that govern Chapter 1. This would not only improve that program, but it would also be a way of saying to State and locales the governors, and all the educational organizations, that we take these issues seriously.

If there is such a thing as Federal leadership—that is, if we believe that when the Congress and the administration agree on certain features, and that we take these features and principles seriously, then I think this would be a great act not only of improvement, but of teaching by example.

Mr. **Solarz**. It sounds reasonable, but how do we get that into the bill?

Secretary **Bennett**. Well, it is there from our side, and it is there from the Chairman's side.

Mr. **Solarz**. Well, how do your proposals specifically deal, for example, with the question of expectations?

Secretary **Bennett**. Our proposal deals with it by way of rewarding success and ensuring accountability. And those are goals which within reach.

Mr. **Solarz**. You are saying that it deals with it indirectly.

Secretary **Bennett**. Sure.

Mr. **Solarz**. The implicit assumption that a high performing school has high expectations.

Mr. **Willkie**. We also require SEAs, the State education agencies, every three years to make an assessment of individual Chapter 1 programs within their States to determine which ones are doing well and why, based on various objective criteria.

Mr. **Solarz**. Mr. Chairman? We have a vote on now, and I had a few more questions. I do not want to impose on your time.

Chairman **Hawkins**. Well, I intend to stay. I am thankful to the Secretary, and I feel the best thing to do is to stay and complete his testimony rather than take a recess if I can get another member to stay. There are two of us who will stay regardless.

Mr. **Solarz**. If I went to vote now, when I come back, would it be possible to complete questioning?

Chairman **Hawkins**. Well, if we are still here, you may certainly claim a position. And I think Mr. Richardson will take up sufficient time.

And, Mr. Secretary, if in my district I am blamed for missing this vote, I hope that you will come to my rescue.

Secretary **Bennett**. I will, sir. [Laughter.]

I will say I insisted that you stay.

Chairman **Hawkins**. Mr. Richardson?

Mr. **Richardson**. Mr. Secretary, your testimony this morning indicates that there is little research evidence which supports bilingual education especially transitional bilingual education.

Today, this committee is releasing a GAO report that I understand your Department is unsupportive of in terms of the methodology of finding answers to this report. Basically, Mr. Secretary, in the course of ample questioning on the part of many experts, 31 members of your Department were asked specific questions.

The GAO report contradicts many of your assertions relating to your new proposal on bilingual education, which many people, including myself, many Hispanics, interpret as the killing of bilingual education.

Secretary **Bennett**. That is, of course, false.

Mr. **Richardson**. And I would like——

Secretary **Bennett**. That is, of course, false.

Mr. **Richardson** [continuing]. Your comments.

Secretary **Bennett**. It is false.

Mr. **Richardson**. Have you seen this report?

Secretary **Bennett**. We know about the report, and we will give you detailed comments on that report. I am tired, Mr. Richardson, of it being told that I am trying to kill this program when we propose to level fund this program despite cuts in many other parts of the budget. And I am tired, too, of the notion that we are opposed to transitional bilingual education when we are not.

What we are opposed to is the Federal Government mandating the method of instruction for school districts.

Mr. **Richardson**. Well, Mr. Secretary, I wonder where you are getting your——

Secretary **Bennett**. We will have detailed comments on your report.

Mr. **Richardson**. I wonder who you are listening to. Are you suggesting that the General Accounting Office is incapable of doing a study like this? I wonder when you talk about evidence that you have relating to—research indicates that the transitional bilingual education you say it in your opening statement—is not working. I wonder were you are getting your conclusions?

Dr. **Carnes**. The GAO report, Mr. Richardson, is a shoddy piece of work, which we have so documented that and protested. We will gladly submit the documentation to this committee. It is methodologically inaccurate and invalid.

Mr. **Richardson**. Well, why don't you tell us now?

Mr. **Willkie**. We have not seen the final version of this report, so we can hardly be expected to comment on it. But we did see a draft, and it fundamentally misconstrued the position that the administration has taken with regard to transitional bilingual education.

Mr. **Richardson**. With all due respect, you have your comments on page 4.

Mr. **Willkie**. You are talking about a document, Congressman, that we have not had the privilege of seeing——

Mr. **Richardson**. You have already——

Mr. **Willkie** [continuing]. In its final version.

Mr. **Richardson** [continuing]. Summarily rejected the findings of this report, have you not?

Mr. **Willkie**. In its draft version. We are assuming, based on what you are saying, that they continued to misrepresent our position.

Mr. **Richardson**. The GAO has gone back to you—the GAO has gone back to you, altered their methodology so that that would get more agreement from you. They did that. Now, they have their conclusions. And you have already dismissed their conclusions. And all I am asking you, to tell us instead of saying you are going to submit in writing your response—tell us please your theory on what research you have that supports your view that your method is better than what is presently in existence.

Ms. **Whitten**. Mr. Richardson, Carol Whitten, Director of Bilingual Education.

In the first place, the GAO report misrepresents our position on bilingual education. It says that we can claim that transitional bilingual education is ineffective. We have not said that. What we have said is that different methods work best for different students.

Furthermore, I would like to point out that the Congressional Research Service, which did a review in 1986 of different bilingual education methods, found that the lack of conclusive research "precludes determining the most effective instructional approach for LEP students in general."

Mr. **Richardson**. All right. So, what is the best approach? Tell me.

Ms. **Whitten**. The best approach is whatever works at the local level.

Secretary **Bennett**. It varies. Whatever works in the local district.

Mr. **Richardson**. Oh, whatever works. That is great.

Secretary **Bennett**. Yes, sir. Yes, that is great. Just a minute, Wendell. Just a minute. Excuse me.

Let the local officials determine the method of instruction. If you go to the Garfield Elementary School in Phoenix, Arizona, they use transitional bilingual education. It works great. Go across the line to Mesa, to the John Wesley Powell Middle School, and they use English as a second language. It works very well. Let them make the decision. Are the kids making the transition to English at Garfield? They sure are. Are they making the transition at John Wesley Powell? They sure are.

Mr. **Richardson**. What about a State like New Mexico, Mr. Secretary, that you are talking about nearly half of the population Hispanic and 20 percent Indian? Is that program failing in New Mexico in your judgment?

Secretary **Bennett**. They should be allowed to use whatever method they wish.

Mr. **Richardson**. Well, they want the present method, Mr. Secretary.

Secretary **Bennett**. Fine, go to it. I am not stopping them.

Mr. **Richardson**. It seems to me that I have heard an abundance of knowledge on your gentlemen's part and little tolerance for other views specifically those that——

Secretary **Bennett**. That is not true. I am sorry. Mr. Richardson, what you have heard is a misrepresentation of our view. I am here now, and you are asking me which method I favor. And I am telling you whatever method works. And I will talk here as long as you would like so you know what I think.

Mr. **Richardson**. Mr. Secretary, do you support the English only language movement?

Secretary **Bennett**. We do not have any position on that.

Mr. **Richardson**. Why not?

Secretary **Bennett**. It is not relevant to us. It is not an educational program.

Mr. **Richardson**. You do not think the ultimate goal of this group is the elimination of bilingual education?

Secretary **Bennett**. I do not know what their ultimate aims are. I am not interested in eliminating bilingual education. I will speak for myself.

Mr. **Richardson**. So, you oppose the objectives of this group.

Secretary **Bennett**. The elimination of bilingual education of helping children whose native language is not English? I would oppose efforts to not help those children, you bet.

Mr. **Richardson**. That is the goal of this group.

Secretary **Bennett**. Well, I do not know of anyone in that group who said that, but maybe they have. And if they do, we disagree, sure.

Mr. **Richardson**. Impact aid, Mr. Secretary. The law states specifically that there we are not talking about impact aid as it affects excellence in education or it affects test scores. We are talking about taxable property.

By your substantial reduction in impact aid, are you not in effect not complying with the law that specifically a 1954 law, talks about fully funding programs for children in school districts primarily Hispanic, Indian, deprived youngsters in school districts that have substantially low economic bases? Are we, in effect, complying with a law by your budget requests for impact aid?

Dr. **Carnes**. Are you suggesting that it is illegal to propose a reduction in impact aid B payments? I do not think the law precludes that. We are allowed to propose whatever we want for any program.

In the impact aid program, we do believe that the Federal Government has an important role to play in order to offset revenues lost by districts because of the loss of a tax base. Therefore, we would fund impact aid A payments. And in addition, we would provide a smoother mechanism by which various percentages of concentrations of kids in impact aid districts get supported.

In the case of impact aid B payments, we continue to argue that B students do not constitute a burden on the school system insofar as the tax base is not lost there. The parents of those children pay taxes.

Mr. **Richardson**. Well, I think you should have been here when representatives from the impact aid organizations testified.

Now, I am not going to charge that you are violating the law. All I am saying is I know at the very least you are not fully complying with the spirit and the intent of that law because the law intended you to fully and adequately fund these programs.

Mr. Chairman, my last question is one that——

Dr. **Carnes**. We have requested to testify on these programs, by the way. And we have not been afforded that opportunity.

Mr. **Richardson**. On impact aid?

Dr. **Carnes**. That is correct.

Mr. **Richardson**. Well, I think rather than contradict my Chairman, I think you ought to have that opportunity. Now, I do not know the specifics of that, but I think you have opportunity right now. Do you want to tell us now?

Dr. **Carnes**. I have attempted to argue that it is certainly not illegal to make a budget proposal. I have also put forward our general proposition in the case of impact aid that we do support impact aid A payments, I know what the impact aid associations and folks say. I have talked to them too. I have heard from them. I have heard from lots of folks about the impact aid budget proposal.

Again, we continue to maintain that it is a valid argument to make Federal payments in lieu of taxes. Insofar as the tax base is not eroded, it is not eradicated, then in fact it does not constitute a burden on the district.

If you just ask those districts if they would be willing to give up the Federal presence, you know what the answer to that is. They will not because it is a financial boon to those districts to have the Federal presence

Mr. **Richardson**. Is it a financial boon that they should not be getting? Are you talking about financial boons taking place on Indian reservations, in districts——

Dr. **Carnes**. We are paying impact aid at a higher rate for Indians than for other kids.

Mr. **Richardson**. I see. So, there is equity. Indian children and white children have an equal shot. Is that right?

Dr. **Carnes**. Indian children get a higher percentage of entitlement than do other children. That is in the statute if my recollection is correct.

Mr. **Richardson**. And what are you suggesting?

Dr. **Carnes**. They are impact aid children, and under our proposals they would benefit more than they are now.

Mr. **Richardson**. Well, Mr. Chairman, I fail to see with all due respect, to all the great ideas and advances—and I think, Mr. Secretary, there are some suggestions you have raised in education that are meritorious. But it is very hard for me to see how we can make up a 25 percent in general education cuts in one fiscal year, a 45 percent higher education cut in one fiscal year with a hell of a lot of wisdom and new ideas.

Secretary **Bennett**. We are going to have more money too even if you accept every cut we propose, you will still see an increase in education spending in this country by about $10 billion.

Mr. **Richardson**. I do not see the numbers there, but I am not going to get into that.

Secretary **Bennett**. We could send them to you.

Chairman **Hawkins**. If the gentleman would yield. I would like to see how we are going to work this great miracle that if we continue to cut, we are going to see an increase. Where is the increase coming from? The States and local educational agencies?

Secretary **Bennett**. Yes, sir.

Chairman **Hawkins**. Well, they are not contributing any more now that they did in 1979. It is about equal. The combined amount of Federal, State and local funding is about equal to what it was in 1979.

Secretary **Bennett**. I do not think so, Mr. Chairman.

Chairman **Hawkins**. It is true that the States and local governments have increased.

Secretary **Bennett**. Right.

Chairman **Hawkins**. But in constant dollars we have no greater amount available than we had in 1979. But let us——

Secretary **Bennett**. We have a chart we could look at for a second because——

Chairman **Hawkins**. I have seen your charts before and I do not really—I would rather——

Secretary **Bennett**. But you did not remember what it said, Mr. Chairman.

Chairman **Hawkins**. I would rather for you to submit them so that we can see on what basis you find them.

Secretary **Bennett**. Sure.

Chairman **Hawkins**. And you do not believe in mine either so.

Secretary **Bennett**. All right.

Dr. **Carnes**. There is ours.

Secretary **Bennett**. There it is again.

Chairman **Hawkins**. Is that nationally and not Federal?

Dr. **Carnes**. That is national.

Secretary **Bennett**. Yes, sir, that is national.

Dr. **Carnes**. That is national and Federal. The Federal line is at the bottom.

Secretary **Bennett**. Right.

Dr. **Carnes**. That is the Federal portion of the total national spending.

Secretary **Bennett**. That is adjusted, and you see it is going up. And it has gone up since '80.

Dr. **Carnes**. It is constant dollars.

Chairman **Hawkins**. What is the one at the bottom?

Secretary **Bennett**. Federal.

Dr. **Carnes**. That is the federal expenditure.

Chairman **Hawkins**. That is the one that is going down.

Secretary **Bennett**. Yes, but notice the whole thing is going up anyway.

Chairman **Hawkins**. And what I am saying is——

Secretary **Bennett**. Even when ours goes down, the whole thing goes up.

Chairman **Hawkins** [continuing]. That if you add those two, compare 1987 with 1979, you will find that we have approximately the same amount of money being spent on American education if you total those two.

Secretary BENNETT. No, sir. They are——

Chairman HAWKINS. Well, I do not accept your chart. I think we should stipulate that because——

Dr. CARNES. $50 billion more this year than——

Chairman HAWKINS [continuing]. I have seen that before, and I do not accept them. I am saying that what our findings indicate—and I think that you will find that the States and—well, let's assume that the States and local governments are actually contributing more in constant dollars now.

Secretary BENNETT. Right.

Chairman HAWKINS. And accept that—stipulate that that is true. The fact is that—would you not agree, that the local money, State and local money, is being expended on general aid——

Secretary BENNETT. Yes.

Chairman HAWKINS [continuing]. Rather than on the special groups that are targeted by the Federal dollars. Would you agree with that?

Secretary BENNETT. Often so, but of course that general aid includes those special groups.

Chairman HAWKINS. Well, not always.

Secretary BENNETT. That is true. Not always.

Chairman HAWKINS. The kids in my district are lost with that general aid because they do not get those special services.

Secretary BENNETT. Right.

Chairman HAWKINS. And so they are completely lost.

Secretary BENNETT. The money is often deployed poorly.

Chairman HAWKINS. The handicapped may not get it and many of the other special groups, so that the composition of the program would be different depending on the source of the money being expended. That is one of the things we have great reservations about, the shift of the money to general aid rather than to groups that were unprotected up until the time that the Federal Government got into the picture. The handicapped were not even in school. Disadvantaged were not receiving the benefits

Mr. JEFFORDS. Mr. Chairman.

Chairman HAWKINS. Mr. Jeffords.

Mr. JEFFORDS. I would like to get back to bilingual education.

Chairman HAWKINS. Yes, sir.

Mr. JEFFORDS. We might not agree on everything, but there are two areas here that I agree with you enthusiastically—one is bilingual education. Just to clear the record, all you are saying here is yes, we need bilingual education, but there are so many different situations that exist around this country and so many different populations to serve, that it is much better to allow the districts themselves to find the best proposal that suits their individual needs.

And that is essentially what your proposal does, as I understand it. You give more flexibility and more assistance to schools districts to meet the needs as they see them.

Secretary BENNETT. Yes, sir, that is right. I would thank you for your own introduction and sponsorship of our proposed legislation. That is it, give local school districts the discretion and the authority to deal with the situation as they see it, provided that they emphasize that the goal of these programs is to help children to become fluent in English as soon as possible. This should be done, not for our sake and not for the sake of anybody's amendment, but for the sake of those children.

Mr. JEFFORDS. In the sense of impact aid, it is my understanding at this time of scarce resources, that it makes sense to examine those programs more closely to justify the funds that we have expended. There is sound basis for continuing this program.

But when you get into the (b)s, it is very difficult in a time of scarce resources to justify the continuation of those programs.

Is that basically how you feel on that?

Secretary BENNETT. Yes, sir. Thank you.

Mr. JEFFORDS. Thank you.

Chairman HAWKINS. Mr. Solarz.

Mr. SOLARZ. Thank you very much, Mr. Chairman.

Chairman HAWKINS. Could we limit if possible?

Mr. SOLARZ. I just have a few more questions.

Chairman HAWKINS. A few more, how many?

Mr. SOLARZ. Three or four.

Chairman HAWKINS. I am sorry I asked.

Mr. SOLARZ. Thank you, Mr. Chairman.

Mr. Secretary, I gather from what you said that the criteria for educationally disadvantaged children is based on the percentile which they are in of the students in their year.

Secretary BENNETT. That is basically correct. However, it varies because each school district determines the exact criteria used.

Mr. SOLARZ. And if you are below the 50th percentile, you are considered educationally disadvantaged.

Is this a relative or an absolute criteria?

Secretary BENNETT. By relative, you mean?

Mr. SOLARZ. Well, if it is relative, then at any given point, 50 percent have to be in the bottom half.

Secretary BENNETT. That is right, but most schools base this on a nationally normed test.

Mr. SOLARZ. I wonder how realistic it is. You could take students from the outstanding school in the country, a school for geniuses, and 50 percent of them will be in the bottom 50 percent of that school, but nobody would say that they are educationally disadvantaged.

Secretary BENNETT. They probably would not be eligible either.

Mr. WILLKIE. This is as measured within a school district. And the program is designed, as we understand it, to confer maximum flexibility on the school district, to target the funds that it receives on the kids most in need.

Mr. SOLARZ. But theoretically, would not an absolute standard be more objective than a relative one?

Dr. CARNES. Mr. Solarz, if we could let Ms. LeTendre answer that question.

Ms. LETENDRE. Mr. Solarz, when a 50 percentile is used, and that may be one of many criteria that a school district may choose to use as an indicator of educational disadvantagement, it is based on national norms. Therefore, it is not that half of a school district would be below and half would be above depending on how that school district tested its children.

Mr. **Solarz**. That answers my question.

Mr. Secretary, do you have available any analysis of per capita education expenditures in relationship to performance criteria in other industrial democracies compared to the United States?

Secretary **Bennett**. Yes.

Dr. **Carnes**. We certainly could provide them.

Mr. **Solarz**. Could you make that available?

Secretary **Bennett**. Yes, sir.

Mr. **Solarz**. Do you know off the top of your head, if there is a correlation or relationship between the amount of money that countries spend on education and their students' skill, measured by various performance criteria?

Secretary **Bennett**. We have not done this as systematically as we have done it for the States. We have done it fairly systematically for the States. You may want to look at that, too, Congressman.

Mr. **Solarz**. Yes.

Secretary **Bennett**. For the States where I feel more confident, you can only see a weak correlation between expenditure and achievement. For other countries, my sense is that it is the same. We spend the most and we spend the most by far, but we do not get the same result.

You have to spend a certain amount obviously to get any result at all. And then after that, the deployment of those funds becomes more critical.

Mr. **Solarz**. Right. Well, if you could provide that for the record, I would appreciate it.

Secretary **Bennett**. Yes, sir.

Mr. **Solarz**. Two final questions.

Would you say based upon your experience that public education is better or worse today than at previous times in our history in terms of how the public educational system is performing, and on what basis do you come to whatever conclusion that you come to?

Secretary **Bennett**. You would have to pin me down in terms of when. Better than in 1980, yes. Better than in 1975, I think probably. Better than in 1965, probably not. The kinds of things that I would be looking at are basically reading and math abilities, achievement scores, SAT and ACT exams and the like.

The dropout rate generally gets lower as we go through time. Even though we are all distressed that there is about a 23 percent dropout rate, it has gotten better. The graduation rate in the early part of the century was maybe between 6 and 17 percent. In the 1980s the graduation rate is around 72 percent.

But in terms of educational achievement, during the 1960s and 1970s we did have this terrible decline, the worst decline in educational achievement in American history. But from the late 1970s up until now, we have bottomed out and we are moving back up.

Mr. **Solarz**. And have you compared the 1980s to before the 1960s?

Secretary **Bennett**. Yes. And it would depend on what year. You see an increase up to about 1963, and then you see this drop, this seventeen year drop.

Mr. **Solarz**. What do you attribute that to?

Secretary **Bennett**. You ask a question like that, and the Chairman wants to get out of here soon. I will give you a speech that I made.

Mr. **Solarz**. Okay.

Chairman **Hawkins**. Is it not true, and I am not trying to push you in this instance, but is it not true that there is another variable, and that is that prior to 1965 there were a lot of children, let's say minority children, who were not even in the school system?

Secretary **Bennett**. Yes.

Chairman **Hawkins**. And we have had a tremendous responsibility since 1965 of educating these children. So obviously, it is a lot more difficult to educate these children, and probably this affects the test scores.

Would that not be true?

Secretary **Bennett**. It affects some. Those children tended to be in school, in segregated schools admittedly, but in school.

Chairman **Hawkins**. But segregated schools were not equal, however.

Secretary **Bennett**. That is right.

Chairman **Hawkins**. They were in segregated schools but unequal.

Secretary **Bennett**. You bet they were not equal. But the problem with that analysis is that the decline that we saw was a decline across the board. The number of students scoring above 750 on college boards, above 700, above 650, above 600 declined. Everything went down.

In fact, the kids on the top, the top scorers and the next two levels have declined as well. Everybody went down. In absolute numbers, the number of people getting good scores on these exams was cut in half. It was terrible.

Mr. **Solarz**. Mr. Secretary, in deference to the Chairman, I will take this up on some other occasion. But perhaps we could get together privately, because I would like to explore this and some other issues with you.

Secretary **Bennett**. Sure. I would be happy to. I will meet you in Brooklyn.

Mr. **Solarz**. Pardon.

Secretary **Bennett**. I will meet you in Brooklyn.

Mr. **Solarz**. I would be happy to do it.

Is that where you are from?

Secretary **Bennett**. Yes.

Mr. **Solarz**. Where did you grow up?

Secretary **Bennett**. Flatbush.

Mr. **Solarz**. What street?

Secretary **Bennett**. Parkside Avenue.

Mr. **Solarz**. Okay. It used to be in my district.

Secretary **Bennett**. Yes. So did Ebbets' Field.

Mr. **Solarz**. Finally on your voucher proposal, I share your concerns about providing a decent education to the children in the non-public schools. But I am a little bit concerned about this.

As I understand it, to the extent that there are parents whose children are now in the public schools who would choose to send those children to non-public schools, perhaps because they thought that they would get a better education there, you would be taking money that is now going to the public school away from the public school.

You would thereby be diminishing the resources for public education. This seems to me to be very different from the tuition tax credit proposal which provides more help to the parents of kids going to the non-public schools without diminishing resources for the public schools.

How do you respond to that?

Mr. **Willkie**. Mr. Solarz, we do not see it that way. The voucher proposal, the compensatory education certificate proposal, that we are recommending would be directed at the students who are currently eligible for Chapter 1 services, including those students who are already in the private schools who were being served before *Felton*, and in most cases continue to be served in other locations.

Mr. **Solarz**. Right. The proposal insofar as it applies to the kids who are already in non-public schools does not hurt the public schools. But it would also mean that parents of children who are currently in the public schools eligible for Title I could take their voucher and go to a non-public school.

Mr. **Willkie**. Only if the local school district agreed. Under our proposal, the school district, and we have discussed this proposal with a number of administrators around the country, would determine when to use the certificate. We are not mandating it, and we are not forcing it on them.

Mr. **Solarz**. But if the local school district made it available to the parents of children in non-public schools, could they simultaneously refuse to make it available to the parents of children in public schools?

Mr. **Willkie**. Yes.

Mr. **Solarz**. They could?

Mr. **Willkie**. Yes.

Mr. **Solarz**. And you think that is constitutional?

Secretary **Bennett**. They would be creating problems for themselves. We do not know what the dynamic that would bring the LEA to decide that parents at this public school should be given a CEC. I think that will occur only where they thought that the school was not doing a good job in providing the services.

Mr. **Solarz**. How much do you estimate that this would cost?

Mr. **Willkie**. We do not see it as occasioning any significant additional expenditure. Obviously, it is a new kind of program to implement. But the administrative expenses associated with implementing *Felton* have been extraordinary.

Mr. **Solarz**. But it would provide a whole new basis for distributing the funds?

Dr. **Carnes**. No, it would not. It would take the money that was already allocated to the private school or to the public school for Chapter 1 compensatory services. And instead of distributing it to the school or to the institution, the LEA would just break it up and distribute it to the parents. It would be a zero sum gain in terms of the dollars.

In terms of your earlier question about whether it draws from the public sector, this would be limited to just compensatory services, not general support. It could not be used for general tuition at a private school.

Mr. **Solarz**. How much of Chapter 1 is compensatory services as opposed to other parts?

Ms. **LeTendre**. The majority of it goes for instructional services. Only about 5 percent is spent on administrative costs. Nationwide the average expenditure per student is around $610.

Mr. **Solarz**. The point is that 95 percent then of Chapter 1 funds would be then made available through this voucher arrangement?

Mr. **Willkie**. Well, keep in mind that the school district has got to say we are not able to provide services to the children in this school on an effective or equitable basis. Therefore, on a school by school basis or a grade by grade basis, or some other objective criteria, we are going to offer this alternative to parents.

With regard to your constitutional concern, I would point out that in the Mueller case, better than 90 percent of the benefit involved funds going to religiously affiliated schools.

Mr. **Solarz**. I do not want to take any more time of the Chairman and the ranking member. But let me just say on this. One of the things that really would concern me about this is that I see this as a formula for religious wars in school districts all over the country. By bucking the decision to the LEA, you are creating an enormous incentive for battles in every area around the country fought out district by district about whether to make this money available.

I would think that if people thought that the idea made sense it should be done nationally. Otherwise, the stage would be set throughout the country for bitter fights with the public school parents, importuning the LEA not to take this option, and the nonpublic school parents importuning the LEA to do it.

It strikes me, unless I am missing something here, that this could be a formula for real divisiveness in the country. If one thought that the idea made sense, it might make more sense to just do it nationally rather than give the option to each school district.

Mr. **Willkie**. We did recommend that last year, and encountered a lot of resistance on the basis that administrators would not really know how to go about doing this. So we said fine, let's give them the option, because we saw among other things that this might offer them an opportunity to solve some of the problems that have been created.

Mr. **Solarz**. Do you not see that this would happen. You would transform the country into one big religious and educational battlefield.

Secretary **Bennett**. Well, we can talk about this, too, later when we meet. But General Counsel Willkie has met in fact with people from the New York City Board of Education about this, and we have reviewed it pretty thoroughly.

I think that the presumption is that the children in the public schools are going to stay in the public schools and continue receiving their Chapter 1 services. The burden of proof here is whether the LEA would feel it is providing equitable or effective services. As long as those programs are equitable and effective, I do not think that you are going to see a strong effort for the CEC. But if they are not, I would argue that there should be.

Mr. **Solarz**. Thank you very much.

Chairman **Hawkins**. Thank you.

Mr. Secretary, may I make one clarification on the chart and the statement that I made. My understanding was that it arose out of the discussion of Chapter 1. And I was under the impression that you were saying that the total amount of money being spent on Chapter 1 was greater or was as great today as it was before the federal cuts were made, which I think is still true.

I was referring to the combined federal, state and local funding for elementary and secondary education. And the chart that you have brought shows total spending, which includes many programs other than elementary and secondary. I think that we can agree that roughly we were referring to two different things.

Secretary **Bennett**. Yes, okay, fair enough.

Chairman **Hawkins**. I hope at least that that clarifies that. My understanding is that you also will be having a bill introduced by Mr. Jeffords on this committee, and some question arose as to the opportunity that you would have or members of your staff would have to appear as witnesses in connection with that proposal.

May I indicate to you that we not only invite you to do so, but will find it absolutely necessary in connection with that or any other subject matter. You obviously have an open invitation to address those issues before this committee.

I hope that we have developed thoughts today that may be constructive, and your ideas certainly will be given thorough consideration by this committee. And we hope that in those areas in which we can explore together and agree upon that we can reach some accommodation. There will be other areas where we obviously will not be able to do so.

But to the extent that we can, we ask you to help us as we wade through this very troublesome problem. And hopefully when the bill is introduced, we will have a chance to address its specific provisions in this committee. Mr. Jeffords.

Mr. **Jeffords**. Thank you, Mr. Chairman.

I want to thank you, Mr. Secretary, and your associates for helping us. As we go forward I see that there are many more goals we have in common. As time goes by I hope that we will be able to work closely together and reach some real good accommodations on these various issues. Thank you very much for coming, and I look forward to working with you.

Secretary **Bennett**. Thank you.

Mr. **Jeffords**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Thank you and your staff. And that concludes the hearing.

Without objection, additional material will be entered into the record at this point. Thank you.

(Whereupon at 12:40 p.m. the committee was adjourned subject to the call of the chair.)

[Additional material submitted for the record follows:]

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FOR RELEASE FRIDAY, SEPTEMBER 14, 1984

Washington, September 14 -- New findings from an authoritative long-term study of the lifetime impact of preschool education offer the strongest evidence to date that preschool education pays off, for participants and for society. The results, presented by High/Scope Educational Research Foundation today to the U. S. Department of Health and Human Services, show that preschool pays off for participants in better academic performance, lower rates of crime and delinquency, and better earnings prospects. They also show that preschool pays off for society in dollars and cents, not only because participants increased their earning power, but also because preschool resulted in reduced costs for special education, welfare, and the criminal justice system.

The study, the Ypsilanti Perry Preschool Project, has been conducted for the past 22 years by the High/Scope Educational Research Foundation of Ypsilanti, Michigan. It follows the lives of 123 disadvantaged children from preschool age to the present, comparing the subsequent performance and experience of children who had a high quality preschool program and children who had no preschool. The study has been supported by various government agencies and private foundations. The High/Scope Foundation is conducting the study with the assistance of neighboring school systems,

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employers, police departments, courts, and social welfare agencies.

On a wide range of measures of school and life success, the study shows that by age 19, the latest age for which complete evidence is available, young people who had attended a quality preschool program on average significantly out-performed youngsters who had not. Major findings are that:

- Two out of three of the young people in the preschool group graduated from high school (67%), while only one out of two in the no-preschool group graduated (49%).
- On a test of functional competence at age 19, 61% of the preschool group scored average or above average, while only 38% of the no-preschool group did this well.
- The 38% rate of enrollment in post-secondary education for the preschool group was nearly double the 21% rate of the no-preschool group.
- Only 15% of the preschool group were classified at some time during their school years as mentally retarded, while 35% of the no-preschool group were so classified. On the average, the preschool group required special education classes for 2 years, while the no-preschool group required them for 3 years and 6 months.
- The detention and arrest rate for the preschool group was 31%, as compared to a 51% rate for the no-preschool group.
- The teenage pregnancy rate for women in the preschool group was 64 per 100 women, only about half as great as the rate of 117 per 100 for women in the no-preschool group.
- At age 19, 50% of the preschool group were employed, while 32% of the no-preschool group were employed.
- Only 18% of the preschool group reported that they were currently receiving welfare assistance, as compared to 32% of the no-preschool group.

A cost-benefit analysis of the program and its results indicated that investment in the preschool program was a good investment for society:

- The return on the initial investment was equal to three-and-a-half times the cost of two years of preschool and seven times the cost of one year of preschool.

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- The economic benefits obtained by the end of high school were sufficient to justify public investment in one year of preschool education for disadvantaged children.

- Major benefits were reduced costs of education and increased earnings, both actual and predicted. Other benefits included decreased costs for crime and welfare assistance.

These findings are more fully described in the newly published monograph Changed Lives: The Effects of the Perry Preschool Program on Youths Through Age 19 (High/Scope Press, 600 N. River Street, Ypsilanti, Michigan 48197, $15.00 prepaid).

Project directors David P. Weikart and Lawrence J. Schweinhart say they hope these research results will "add to the growing public interest in early childhood education as a good way to invest in the futures of children." They note, "Taxpayers already spend a great deal of money trying to remedy these problems after they occur; preschool can partially prevent these problems from occurring, at a fraction of the cost of remediation."

Dorcas R. Hardy, Assistant Secretary for Human Development Services, said, "The Perry Preschool Project is an outstanding example of what good early childhood programs can accomplish. Based on over two decades of work, the findings of this careful study present clear evidence that quality early childhood education programs will help poor children overcome later problems." Noting that her agency has recently overseen a major expansion of these services through National Head Start, Miss Hardy added, "These preschool programs like Head Start do make a crucial difference in the lives of the children they serve."

The Perry Preschool Project shows that quality preschool education helps children do better not only in school, but also in the community and the workplace. In this way it has extended the findings of half a dozen other studies that have shown that early educational intervention helps to

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prevent unnecessary placements in special education and retentions in grade. The Perry Preschool Project is the only one of these studies that includes a benefit-cost analysis of investment in preschool and assessments of criminal behavior and employment. As such, it may be expected to influence budget-minded policy-makers who demand hard evidence that social programs work.

The Perry Preschool study began in Ypsilanti, Michigan in 1962 as an examination of the lives of 123 black children born in poor families and apparently destined for school failure. Half of the families in the study received welfare assistance; 47 percent were single-parent families. Only 21 percent of the mothers and 11 percent of the fathers had graduated from high school.

Children in the study were randomly assigned either to an experimental group who attended preschool or a control group who did not attend. The children and families in these two groups had similar characteristics. For these reasons, any subsequent differences in the groups may be attributed to the preschool program.

Children in the experimental group attended a high quality program in a preschool classroom for two-and-a-half hours five mornings a week, either for one school year at age four or two school years at ages three and four. The program emphasized active learning, problem-solving, and a high degree of interaction between adults and children and among the children themselves. In addition, the teachers visited each mother and child at home for 90 minutes a week, to arouse the parent's interest in, and attention to, her child's curiosity for learning.

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These young people have participated in the study continuously for over two decades. The next phase, now being planned, will assess preschool effects on young adults in their mid-20's.

What made the difference? The research team postulates a "chain of cause and effect," in which preschool improved the intellectual and social competence of participants as they started school. Beginning from this improved position, the children who attended preschool required less special education and subsequently demonstrated higher scholastic achievement. Because they were doing better scholastically, they were more likely to graduate from high school, less likely to engage in crime and be arrested, and more likely to be employed in early adulthood.

Funding for the recent phases of the research has come from the U. S. Department of Health and Human Services and the U. S. Department of Education. The economic analysis received funding from the Levi-Strauss Foundation and the Rosenberg Foundation of San Francisco. Major support for the study over the years has come from Carnegie Corporation of New York. Early support for the project came from the Spencer Foundation, the State of Michigan, and the Ypsilanti Public Schools.

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EARLY CHILDHOOD

Policy Options for Preschool Programs

Early childhood education is likely to be on the list of policy matters demanding attention this year. The authors provide decision makers with the research base necessary to answer crucial questions.

BY LAWRENCE J. SCHWEINHART, JEFFREY J. KOSHEL, AND ANNE BRIDGMAN

A HOST OF new governors, state legislators, state education leaders, and members of Congress assumed office in January. As was true of their recent predecessors, these newcomers will probably find that they must take a position on programs aimed at early childhood development – especially those that are designed for children from low-income families. Since strong evidence exists that such programs provide both short-term and long-term gains for young participants, legislators and school administrators in almost every state will continue to deliberate during the coming year about how to establish or expand programs that serve children under the age of 5.

Several facts illustrate the increasing activity and financial commitment in this area. In 1984, for example, eight states appropriated approximately $160 million to fund early childhood programs, aimed especially at children living in poverty. In 1986, by contrast, 22 states spent $330 million for similar programs. These programs currently provide some 150,000 families with early childhood education and day care or with parent education.[1]

The momentum for early childhood programs remains strong. State legislatures and other policy-making bodies in the U.S. seem more willing than ever to consider investing in high-quality early childhood programs. A growing constituency, which includes chief executive officers as well as welfare mothers, considers public spending for such programs worthwhile.

- In its 1985 report, *Investing in Our Children*, the Committee for Economic Development noted, "It would be hard to imagine that society could find a higher yield for a dollar of investment than that found in preschool programs for at-risk children."[2]
- Mayor Edward Koch, in announcing an initiative to provide early childhood education for all 4-year-olds in New York City, said he was "struck by the near unanimity among experts that, of all the educational and social programs initiated in the last 20 years, there is one that holds more promise than any other, an intervention on which there is solid and compelling research indicating its measurable and long-term positive effects on children's success in school and in life."
- Gov. Michael Castle of Delaware, who chairs the Committee on Human Resources of the National Governors' Association, has pledged that his committee will focus in 1987 on early childhood development programs. "Across the board, we're shifting our focus to attack problems early," he said. "We believe that, if we eliminate problems early, young people will have a much better chance to become productive citizens. The education component is the most important, of course; it begins to teach children how to learn and, equally important, it provides an early opportunity to identify problems."
- An editorial in the *Chicago Tribune* on 8 October 1985 stated, "A wealth of experimental projects proves that children from the most disadvantaged homes will thrive academically and socially if they are stimulated early enough in special preschool programs." The writer concluded that "in a few years, early learning programs will pay for themselves many times over in the reduced costs of school failures, delinquency, dependency, and violent behavior."[3]

As more and more federal, state, and local policy makers begin to realize that a constituency – motivated by solid research data – supports early childhood programs, public funding for such programs should grow. But those who are responsible for directing the debate and shaping the programs must have continuing access to pertinent information

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from research and experience. As they plan and implement new programs, governors, state and national legislators, local policy makers, and educators must consider all the available options. The important questions that they must answer include the following:

- Which children should be served?
- For what part of the day should early childhood programs operate?
- How much money should be invested in programs?
- Through what structures should the money be channeled?

WHICH CHILDREN SHOULD BE SERVED?

Policy makers must determine the age range and characteristics of the children to be served by early childhood programs. They must also define the program requirements, both for school districts and community agencies and for program participants and their families.

Age range. Policy makers might begin their consideration of this issue by dividing early childhood into two age groups: infants and toddlers (birth through age 2) and preschoolers (ages 3 and 4). Approximately half of the mothers of children in each of these two age groups are employed outside the home, and about two-thirds of the employed mothers work full-time. Consequently, the need for child care in each of the age groups is roughly equivalent.[4]

There are fewer good child-care programs for infants and toddlers than for preschoolers. But there is also more evidence of lasting benefits for preschoolers enrolled in such programs than for infants and toddlers.[5] Lawmakers and administrators would be wise, then, to commit funds first to programs for 4-year-olds from low-income families. The second priority should be expanding such programs to serve 3-year-olds from low-income families.

Characteristics of the children to be served. Legislators and educators may decide to make an early childhood program available to all children within the age group to be served. The principal disadvantage of this decision is expense. New funding of this magnitude is difficult to come by. Moreover, the investment potential of early childhood programs has been documented only for children from low-income families. Since the benefits of early childhood programs for children from middle- and upper-income families have not been documented, it is more difficult to make a persuasive case for public funding of programs for these youngsters.

Illustration by Laura Gibbons

Policy makers might decide instead to provide early childhood programs for all children in the age group but to pay program fees only for low-income children at risk of school failure. This option conserves public funds while providing an opportunity for universal enrollment.

If policy makers choose not to adopt either of these options, they must establish specific criteria for participation in early childhood programs. Children might be selected for enrollment because they are living in poverty, because a screening procedure has shown them to be at risk of school failure, or because they meet both criteria. Policy makers should be aware of the fact that poverty has proved a much better predictor of school failure than any existing screening procedure. At the same time, they should carefully consider the political implications of the selection criteria they establish. Programs to serve children who are "at risk of school failure" may win more public acceptance than programs to serve children who are "living in poverty." Perhaps the best option is to target children who are at risk of school failure but to give considerable weight to environmental factors in identifying the children who fall into this category.

Program requirements. Legislators and school administrators must decide just what the early childhood program requires of school districts or community agencies and of young children and their families. One of the questions to be addressed is, Should the program be voluntary or compulsory? Government involvement in areas related to children and families can be a sensitive issue. Thus policy makers must carefully consider who is required to do what with respect to early childhood programs.

Kindergarten programs in the public schools are the primary state-level efforts in early childhood education, and the legislation attending such programs illustrates the range of options available to policy makers. Some state laws have made kindergarten attendance compulsory; others have made attendance voluntary. Many states have made kindergarten universally available to 5-year-olds. Others have said that demonstrated scholastic readiness is a condition for entry to first grade.

FOR WHAT PART OF THE DAY?

Length of the school day is the primary policy variable that determines whether or not early childhood programs meet families' child-care needs. Policy makers have three options to consider: a part-day program (two to three hours in length), a program that matches the school day (five to six hours in length), or a program that matches the workday (eight to 10 hours in length).

Part-day programs. When they are offered at least four days a week, for approximately eight months a year, high-quality preschool programs have positive, long-term effects on participants.[6] Chief among their immediate benefits are the facts that such programs may spare children the fatigue of full-day programs and that they may be less costly (because of fewer hours of teacher/child contact).

However, part-day programs do not fully meet parents' child-care needs. Moreover, in the public schools, such programs may create special transportation demands. Particularly in rural areas, part-day programs can also cause children to spend more time on a school bus than in class. These disadvantages can be addressed, of course. One solution is to organize satellite day-care homes around a center that offers a part-day early childhood program. This begins to solve children's transportation problems, as well as making the training and networking needs of those who provide the day care easier to satisfy.

> *Research has shown that good early childhood programs help to prevent school failure among the children of the poor.*

Programs geared to the school day. This is a convenient option for early childhood programs based in the public schools. Programs geared to the school day make preschoolers' transportation needs the same as those of other schoolchildren. Such programs also reduce families' child-care needs; however, parents who are employed full-time will still need after-school care for their youngsters.

One of the primary disadvantages of programs geared to the school day is that – unless they are high-quality programs, responsive to children's needs and based on principles of child development – they can produce fatigue and behavioral problems in young children.

As early childhood programs geared to the school day grow in popularity, it is important to caution those individuals who interpret recent research findings as evidence that school-day-length programs are superior to part-day programs in their effects on children's later success in school. A recent study of Chicago kindergarten programs showed that class size is a better predictor of school achievement than length of the school day. When kindergarten classes contain more than 16 students, according to that study, reducing class size should be the primary concern of school officials. Only when kindergarten classes are smaller than 16 will lengthening the school day pay off in later school achievement.[7]

Programs geared to the workday. Such programs are clearly the best way of reducing transportation problems and meeting families' child-care needs. (Remember that some 54% of mothers with children under the age of 6 are in the workforce.)

But early childhood programs geared to the workday are costly. When these programs are of sufficient quality to meet children's developmental needs, they can easily cost $3,500 to $4,500 annually per child.[8] By contrast, under its payment schedule for Aid to Families with Dependent Children, the typical state spends only $1,300 per year to support a child at home.[9]

Since funds are limited, policy makers are faced with a difficult choice. If they spend the available funds on part-day programs aimed at developing the intellectual and social skills of economically disadvantaged children, they will be doing little to meet the child-care needs of parents who work full-time. But if they allocate the funds to programs that serve low-income children and that are geared to the workday, they run the risk that these programs will omit essential developmental components and that they will fail to address the needs of those children whose mothers do not work full-time outside the home.

Legislators and school administrators might consider a compromise: the establishment of high-quality early childhood programs geared to the workday just for those children whose mothers work full-time outside the home but live in poverty nonetheless. (In 1985, 732,000 mothers in the U.S. with children under the age of 6 were employed but earned too little to raise them above the poverty level.[10]) This option meets the child-care needs of some parents and the developmental needs of some disadvantaged children, while signaling a commitment by the state or local government to addressing the increased incidence of poverty among children.

HOW MUCH MONEY SHOULD BE INVESTED?

With regard to early childhood programs, perhaps the thorniest issue that policy makers must address is the matter of funding. Most states prefer to start with pilot projects at a few demonstration sites and to expand these efforts gradually. The level of funding for early childhood programs depends on a state's resources and its level of commitment to early childhood education. Policy makers implementing early childhood programs should carefully consider personnel costs and the inevitable link between level of funding and quality of program.

Personnel costs. The cost of a fully implemented, statewide early childhood program can be determined by multiplying the average cost of the program per child – which is most of the per-child cost of the teaching staff – by the total number of children served by the program. The staff/child ratio depends largely on the size of the classes. Thus the size of the classes is a major determinant of both the cost and the quality of early childhood programs. The National Day Care Study has shown that classes containing no more than 20 4-year-olds and staff/child ratios no higher than 1:10 are associated with desirable classroom behavior and improved cognitive performance.[11]

The National Day Care Study also found that only one teacher characteristic predicts program quality and effectiveness: the amount of job-related training in early childhood education that a teacher has received. Yet teachers with such training continue to be paid less than their colleagues who have specialized in other areas of education. The average annual salary of Head Start staff members in 1985 was $7,700, substantially lower than the average *starting* salary of teachers in the public schools ($14,500) and a mere one-third of the average annual salary of all public school teachers, which stood at $23,300.[12]

Policy makers can help to solve this problem in two ways. First, they can work on making early childhood education a hierarchical profession that gives practitioners opportunities for career development. Second, they can increase funding levels of programs, emphasizing their vast potential to prevent later educational and social problems.

Funding and program quality. Most policy makers who are familiar with the research on early childhood education know that it makes little sense to fund early childhood programs at levels insufficient to provide the high quality that insures program effectiveness. Indeed, unless program quality is carefully defined and maintained, an early childhood classroom is just another place for a child to be. When funds are limited, it is better to provide high-quality programs to some children than to provide inferior programs to all preschoolers.

If an early childhood program is to promote children's intellectual, social, and physical development, it must not only meet high standards of quality but also be administered by competent specialists in child development who can establish an environment that supports active learning. This premise is supported by a 15-year study, conducted by the High/Scope Educational Research Foundation, which found evidence that those preschool programs in which children initiate their own activities are most effective in preventing later juvenile delinquency. Youngsters who participated in child-directed preschool programs appeared to be better adjusted as teenagers; those who took part in highly academic, largely teacher-controlled preschool programs reported more social and educational problems during early adolescence.[13]

Developers of early childhood programs should consider adopting staff/child ratios of 1:10 and enrollment limits of 20 children per classroom; hiring teachers who hold academic degrees in early childhood development, competency-based Child Development Associate (CDA) credentials, or their equivalents; and using curriculum models, derived from principles of child development, that have been evaluated and found to have positive intellectual and social outcomes. They should also try to insure that their programs feature: 1) support systems aimed at maintaining the curriculum model, including inservice training and evaluation of teachers; 2) collaboration between the teaching staff and parents; and 3) sensitivity and responsiveness to children's health and nutrition needs and to families' needs for child care or other services.

TEACHERS' LOUNGE

"It's 8:15. Their mothers have unleashed them, and they're on the way."

THROUGH WHAT STRUCTURES SHOULD FUNDS BE CHANNELED?

As they develop early childhood programs, state officials and local school administrators will have to decide which agencies will receive the funds to carry out these programs. In making these decisions, they should bear in mind the diverse needs of young children and their families for child care and early childhood education. Any public investment in early childhood programs should take this diversity into account. Public officials should also remember that it is not necessary for any single program to meet all the needs of all children.

Regardless of whether providers receive funds directly or parents receive funds and select programs through a voucher system, the question remains: Who should be authorized to receive funds to provide programs? The three types of agencies that policy makers should consider are public schools, such federally funded programs as Head Start, and such other community agencies as day-care centers or associations of day-care homes. Policy makers should also consider the funding of programs through open sponsorship, which allows funds to go to any of these agencies.

Public schools. Developers of early childhood programs might look at state-funded kindergartens as examples of programs sponsored by the public schools. However, they should remember that public school programs for 4-year-olds should be quite different from some of today's kindergarten programs. They should also remember that early childhood programs in public schools will have the very same advantages and disadvantages as other public school programs.

Early childhood programs funded through the public schools would be universally available, governed by elected community representatives (the school board members), and highly professional (since the public schools have certification standards for teachers and salary schedules that guarantee pay increments for extra training and experience). Moreover, the public schools have a vested interest in early childhood programs, because these programs give children better preparation for K-12 schooling.

The disadvantages of offering early childhood programs through the public schools include a tradition of high student/staff ratios (at least 20:1 in the public schools, though a ratio of 10:1 has been shown to be the most effective for preschoolers) and the historic tendencies of the public schools to exclude parents from the educational process, to fail to meet the needs of nonwhite ethnic groups, and to fail to meet the child-care needs of working parents. Those who oppose funding early childhood programs through the public schools also point out that the schools might adopt a narrow focus on direct instruction in academic skills, instead of a broad focus on child development, and that the schools might overlook (or even threaten) existing child-care services in the community.

These concerns must be innovatively addressed, if the public schools are to serve a legitimate function in early child development. Smaller classes, greater parental involvement, and stronger emphasis on broad intellectual and social development must characterize kindergarten and prekindergarten programs in the public schools, if these programs are to yield results like those of exemplary child development programs.

Federally funded programs. Another option is to use state money to supplement existing federally funded early childhood programs, such as Head Start and Chapter 1. States may already be doing this to some extent, since most federal programs require some matching funds from states or from local school districts or community agencies.

Sources of federal grants for early childhood programs include special education funds, the Social Services Block Grant, the Child Care Food Program, and several employment-related grants programs. Another source, the federal tax credit for dependents (retained in the new federal tax policy), has analogues in the income tax policies of some states.

Providing additional funding to the Head Start programs within a state has several advantages. Head Start is the nation's foremost publicly funded program for meeting the child development needs of low-income families, and it has a relatively stable institutional structure. Designed to respond to a wide range of needs, Head Start focuses on education, nutrition, health care, social services, and parent involvement.

One of the disadvantages of providing state funding for early childhood programs through Head Start stems from the fact that state government has not previously played an important role in that program. Head Start dollars travel from the nation's capital, through regional offices, to local grantees and delegate agencies, which operate the programs. Therefore, policy makers are often unfamiliar with the operations of Head Start in their states. Moreover, Head Start teachers tend to be undertrained; fewer than 10% of them hold four-year degrees in early childhood education, and only 18% have CDA credentials.[14]

Policy makers could probably overcome some of these disadvantages by earmarking the state funds they give to Head Start for special purposes, such as training, evaluation, or program expansion. Head Start currently serves only 24% of the 3- and 4-year-olds who are living in poverty in the U.S.[15]

Community agencies. A third option would be to provide state funds for early childhood programs to community agencies not associated with Head Start. Any child-care program licensed by the state's department of social services – whether based in a center or in a home – could be eligible for funding. The funds could be allocated through competitive programs or through site visits aimed at identifying those agencies that run the best programs.

This option has the advantage of enabling agencies in the private sector that run good early childhood programs to serve larger numbers of children. One disadvantage, however, is that private agencies are less subject to public scrutiny and control. Moreover, a lack of sufficient public funding in the past has deterred private agencies from serving low-income neighborhoods. Therefore, the early childhood programs funded through private agencies are not as accessible to low-income families as the early childhood programs in the public schools.

Open sponsorship. A fourth option is to provide funding for early childhood programs to public schools, Head Start, and other community agencies through open sponsorship. This approach helps to minimize the battles over turf that inevitably occur when funds are exclusively assigned to one type of agency. It also recognizes the fact that there are a variety of existing program providers. Of course, a designated agency or department must still be selected to distribute the funds impartially, at both the state and the local levels.

THE NUMBER of young children living in poverty in the U.S. is rapidly increasing. Simultaneously, federal spending on this population has been cut back. Meanwhile, research has convincingly demonstrated a connection between childhood poverty and school failure. Research has also demonstrated the existence of a link between school failure and a variety of social problems, including teenage pregnancy, drug and alcohol abuse, crime, and poverty among adults. Because such problems pose threats to the society, policy makers are very much aware of the need to reduce children's risk of school failure.

Research has shown that good early childhood programs help to prevent school failure among children of the poor. Therefore, an increasing number of states and local governments are planning and implementing early childhood programs for children from low-income families. Such programs are a sound investment because they *prevent* problems in high-risk children – and thus save society the cost of trying to correct these problems later. For state and local legislators and policy makers who are concerned about budgetary constraints, this is perhaps the most compelling argument in favor of funding high-quality early childhood programs.

An assessment of the Perry Preschool Program, conducted by the High/Scope Educational Research Foundation, showed that a good one-year preschool program for disadvantaged children returns to taxpayers six dollars for every dollar invested.

As they begin their new jobs or return to office, governors, state legislators, state education leaders, and members of Congress would be wise to consider carefully the research findings related to early childhood education, as well as the viewpoints and the experiences of specialists in that field. If a dialogue begins at once, the programs that are developed can reflect everything that is known about high-quality early childhood education. Such programs will benefit both our children and U.S. society as a whole.

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1. For more detail on the issues treated in this article and for a description of the early childhood initiatives in specific states, see Lawrence J. Schweinhart and Jeffrey J. Koshel, *Policy Options for Preschool Programs* (Ypsilanti, Mich.: High/Scope Early Childhood Policy Papers, No. 5, published in collaboration with the National Governors' Association, 1986).

2. *Investing in Our Children* (New York: Research and Policy Committee of the Committee for Economic Development, 1985).

3. This editorial appears in a collection of materials titled *The American Millstone* (Chicago: Contemporary Books, Inc., 1986), p. 297.

4. *The Crisis in Infant and Toddler Care* (Washington, D.C.: Ad Hoc Day Care Coalition, 1985).

5. Lawrence J. Schweinhart and David P. Weikart, *Young Children Grow Up: The Effects of the Perry Preschool Program on Youths Through Age 15* (Ypsilanti, Mich.: High/Scope Press, 1980).

6. John R. Berrueta-Clement, Lawrence J. Schweinhart, W. Steven Barnett, Ann S. Epstein, and David P. Weikart, *Changed Lives: The Effects of the Perry Preschool Program on Youths Through Age 19* (Ypsilanti, Mich.: High/Scope Press, 1984).

7. *Meeting the National Mandate: Chicago's Government-Funded Kindergarten Programs, Fiscal 1984* (Chicago: Department of Research and Evaluation, Chicago Public Schools, 1985).

8. *Draft Statement on Compensation and Affordability* (Washington, D.C.: National Association for the Education of Young Children, 1986); and Craig Coelen et al., *Day Care Centers in the U.S.: A National Profile, 1976-77* (Cambridge, Mass.: Final Report of the National Day Care Study, Vol. III, Abt Associates, 1978).

9. *Analysis of the FY 1987 Federal Budget for Children* (Washington, D.C.: Children's Defense Fund, 1986), p. 335.

10. Unpublished data from the Bureau of Labor Statistics, U.S. Department of Labor, based on the March 1985 Current Population Survey.

11. Richard Ruopp, Jeffrey Travers, Frederick Glantz, and Craig Coelen, *Children at the Center: Summary Findings and Their Implications* (Cambridge, Mass.: Final Report of the National Day Care Study, Vol. I, Abt Associates, 1979).

12. James L. Hymes, Jr., *Early Childhood Education: The Year in Review: A Look at 1985* (Carmel, Calif.: Hacienda Press, 1986).

13. Lawrence J. Schweinhart, David P. Weikart, and Mary B. Larner, "Consequences of Three Preschool Curriculum Models on Youths Through Age 15," *Early Childhood Research Quarterly* (Norwood, N.J.: Ablex Publishing Corporation, 1986).

14. Hymes, *Early Childhood Education: The Year in Review*. . . .

15. Of the 452,300 children who were served by Head Start in 1985, at least 90% (407,070) met poverty guidelines. But those 407,070 children accounted for only 24% of the 1,702,000 preschoolers who were living in poverty in the U.S., according to a 1984 Current Population Survey. ■

[Whereupon, at 12:45 p.m., the hearing was adjourned, subject to the call of the Chair.]

EDUCATION AND TRAINING FOR AMERICAN COMPETITIVENESS

THURSDAY, MARCH 12, 1987

House of Representatives,
Committee on Education and Labor,
Washington, DC.

The committee met, pursuant to notice, at 9:40 a.m., in room 2175 Rayburn House Office Building, Hon. Augustus F. Hawkins presiding.

Members present. Representatives Hawkins, Clay, Murphy, Kildee, Owens, Hayes, Sawyer, Solarz, Wise, Robinson, Penny, Visclosky, Jontz, Jeffords, Petri, and Ballenger.

Staff present. Gene Sofer, budget analyst; Carole Stringer, legislative analyst; Dan Yager, minority counsel.

Chairman **Hawkins**. The House Education and Labor Committee is called to order.

The Chair will forego an opening statement. I understand none of the members desire to make a statement at this point so that we may proceed with the schedule.

The first witness will be Mr. Thomas Donahue, Secretary/Treasurer of the AFL–CIO; Mr. Sam Camens, Assistant to the President, United Steelworkers of America will be the second witness. There may be other persons who will accompany them.

Mr. Donahue, we welcome you to the committee. You do not need any directions from the Chair as to the usual procedure. We will include in the record, in its entirety your statement and other documents that are attached thereto. We call upon you to proceed as you usually do.

STATEMENT OF THOMAS R. DONAHUE, SECRETARY-TREASURER, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY BOB McGLOTTEN, DIRECTOR LEGISLATIVE AFFAIRS; AND MARKLEY ROBERTS, ECONOMIC AFFAIRS DEPARTMENT, AFL–CIO

Mr. **Donahue**. Thank you, Mr. Chairman. I am Tom Donahue, Secretary-Treasurer of the AFL–CIO. I am accompanied this morning on my left by Bob McGlotten our Director of Legislative Affairs, and on my right by Markley Roberts of our Economic Affairs Department.

Mr. Chairman, we are grateful for the opportunity to present a statement of support for H.R. 90. I would like to comment on that, comment a bit on the related Administration proposals for worker readjustment, on some of the other components of the Administration's competitiveness package, as well as on one other bill which will be coming before this committee, H.R. 1122, the Economic Dislocation and Worker Adjustment Assistance Act. All of those pieces seem to us interrelated.

And before I comment on the specific proposals, I would beg your indulgence to let me outline the kind of two-track legislative hope that we would have—which we hope you would consider for H.R. 90 and H.R. 1122.

Mr. Chairman, we give very high priority to the enactment of a strong, comprehensive piece of trade legislation this year. We think the action of this committee last year in dealing with the education and training for American competitiveness bill was very constructive in putting before the House what later became a piece of that comprehensive trade bill. We hope that H.R. 90 would serve that same function.

We would like to respectfully suggest that you proceed with all due diligence and speed on H.R. 90, and we would express our hope that at the same time you would move to prompt and favorable action on 1122. It seems to us both bills are important. Each stands on its own merits. Each addresses a different problem, and they should not be tied together. But we do believe that they should move ahead simultaneously in a hopefully two-track process.

All of that is related to our views, Mr. Chairman, on trade adjustment assistance. And we feel very strongly that that program must continue in existence but with a much higher and more adequate level of funding. And we strongly oppose any of the efforts of the Administration to kill trade adjustment assistance.

Your section 202 provides for trade impacted assistance, and we support that proposal as a supplement to trade adjustment assistance. And you have properly noted that that is what it is, and the committee has stated that in its statement of purpose. We only want to reinforce that point, Mr. Chairman, and hope that the committee position this year will be the same as last. And we urge you to set forth that position in a report on H.R. 90.

The trade adjustment assistance was developed in this nation as a key part of a social compact by which the labor movement was enlisted and by which the workers of the nation were enlisted in a support of a national trade policy in 1962 and again in 1974.

The promise was, and the promise remains, to offset losses to workers resulting from a national trade policy which was admittedly designed to aid consumers. In theory, though not in reality, workers can receive under trade adjustment assistance up to a year of income support, up to two years of training, extended job search assistance and family relocation.

Surely the current levels of funding and the levels of funding over the last five or six years have been totally inadequate for the program. But we think it is important to make a point that that program be maintained and not conveniently disappear into some other effort.

With respect to H.R. 90, Mr. Chairman, we are certainly in essential agreement with the purposes of raising our productivity and competitiveness by investments in human resources and literacy training and improving math, science and foreign language proficiency, and particularly those sections dealing with worker skill enhancement.

We strongly endorse the approach in Title I to give more support to education and think that there is a real need for that support for post-secondary education programs to improve instruction, and all of those provisions would have our enthusiastic support.

With respect, Mr. Chairman, to the labor-management sections of Title II of H.R. 90, let me just offer a couple of comments. We think that voluntary committees of that type in a union- represented work force can make a useful contribution to improved competitiveness by training, retraining and educating workers. It is essential, however, that the process of establishing those committees not be permitted to subvert existing collective bargaining relationships.

The bill ought to make clear that where an employer's workers are organized, the employer must negotiate with the employees' representatives over the establishment of a joint labor-management committee. And all of the employee representatives on that committee must be selected by the union or unions that represent the employees.

In a situation in which only some of the employees might be organized, separate labor-management committees should be established and provided for in the legislation for organized and unorganized employees. The employer, in short, should not be permitted to establish a program either in a mixed situation or establish a program only for his unorganized workers.

With respect to H.R. 1122, Mr. Chairman, and the worker adjustment assistance pieces of that legislation, we think they are important and represent a step forward. We want to see the key features of that bill kept together. We want to see the part dealing with adjustment services for dislocated workers and the provisions for notification and consultation before closing and layoffs included in that bill. We think it is a sound approach to dealing with the special problems of plant closings and layoffs.

There is attached to our testimony, as you have noted, a supplementary statement which deals with that piece of legislation. And we will similarly submit that next week to the subcommittee, or later in the week to the subcommittee.

With respect to the Administration's competitiveness package, Mr. Chairman, we think that one key part of that package is the worker readjustment program, and note that does generally follow the recommendations of the Secretary's Task Force on Economic Adjustment. It is an encouragement to note that the Administration recognized the problems of dislocated workers, proposes a $980 million program, calls for the rapid response units in the states to deal with those problems.

However, we need to insure that that is new money, and that it is not money taken from trade adjustment assistance and vocational education. Otherwise, we are simply shifting the shells and still looking for the pea. We oppose the Administration effort to dismantle trade adjustment assistance and to defund vocational education.

Mr. Chairman, the people that we represent are hopeful that the committee will take prompt action in this area, and we appreciate the leadership and support that you have give to them. I would be happy, Mr. Chairman, to try address any questions you or members of the committee might have.

[The prepared statement of Thomas R. Donahue follows:]

87-12

Statement by Thomas R. Donahue, Secretary-Treasurer, American Federation of Labor and Congress of Industrial Organizations, To the House Education and Labor Committee on H.R. 90, Education and Training for American Competitiveness

March 12, 1987

Mr. Chairman, I appreciate this opportunity to present the support of the AFL-CIO for two bills now pending before this Committee.

One bill is H.R. 90, the proposed Education and Training for American Competitiveness Act of 1987.

The other bill is H.R. 1122, the proposed Economic Dislocation and Worker Adjustment Assistance Act.

I will comment on these bills and I will also comment on the Reagan Administrations proposed Worker Readjustment Act and on some other components of the Administration's so-called competitiveness package.

However, before I comment on these specific proposals, let me outline briefly to you the kind of two-track legislative scenario that the AFL-CIO is urging for H.R.90 and for H.R.1122.

We give high priority to enactment by the United States Congress this year of strong, comprehensive trade legislation.

We believe the action of your Committee last year in approving an earlier version of the Education and Training for American Competitiveness bill was very constructive in helping to achieve House floor approval for a comprehensive trade bill including the earlier version of H.R.90 as one title.

We hope that H.R.90 will serve that same constructive function in helping to secure House passage and ultimately to bring enactment of good, sound trade legislation this year.

So we would like to respectfully suggest to this Committee that you should proceed "full steam ahead" with H.R.90 on a fast track in a two-track effort.

It's our hope that, at the same time, this Committee will proceed "full steam ahead" on a fast track to prompt, favorable action on H.R.1122, the Economic Dislocation and Worker Adjustment Assistance Act.

Both bills are important. Each stands on its own merits. Each bill addresses a different problem. These bills should not be tied together, but, we believe, they should move ahead simultaneously on a two-track legislative process.

Trade Adjustment Assistance

We want the Trade Adjustment Assistance program to continue its existence -- but with a much higher and more adequate level of funding. We strongly oppose and we will fight efforts to kill TAA as proposed by the Reagan Administration.

Section 202 of H.R.90 provides for trade-impacted worker assistance. We support this proposal as a supplement to TAA, but it does not and should not replace TAA.

We note with approval the statement of purpose in H.R.90 that the legislation is designed "to accomplish its purposes without impairing the availability of funds to carry out existing programs that address the needs of dislocated workers such as Title III of the Job Training Partnership Act and the trade adjustment assistance provisions of the Trade Act of 1974."

Your Committee declared in its May 1986 report on the earlier version of H.R.90:

"The employment assistance activities authorized under the Committee bill are designed to supplement services otherwise available under Title III (the dislocated worker program under JTPA), the Trade Adjustment Assistance Act, or other training programs for which trade-impacted workers may be eligible."

We support this Committee position taken last year and we urge you to set forth this position again in your Committee report on H.R.90.

Let me remind you also that the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation did not -- and I underscore "did not" --recommend folding TAA into the general worker adjustment program it called for.

Trade Adjustment Assistance is a key part of a social compact by which the labor movement was enlisted in support of a national trade policy in 1962 and again in 1974. The promise of TAA was and is to offset losses to workers resulting from national trade policy, which was seen as aiding consumers.

In theory, although not in reality, TAA can include up to one year of income support, up to two years of training, extended job search assistance, and family relocation assistance.

We recognize that current TAA funding is totally inadequate, but we believe this program must continue and it must be funded at a level sufficient to deal with the problems of import-injured workers.

We are in essential agreement with the purposes of H.R. 90 relating to raising U.S. productivity and competitiveness by investing in human resources, literacy training, improving math, science, and foreign language proficiency, and worker skill enhancement.

We strongly endorse the approach taken in Title I of H.R.90 to give more support to education. The $480 million authorization for education and training under Chapter 1 and for post secondary education programs to improve instruction in math, science, and foreign languages will have our enthusiastic support.

Labor-Management Programs

Let me comment briefly on the section relating to joint labor-management training programs with financial assistance and technical support from the Labor Department.

We believe such voluntary labor-management committees in a union-represented workforce can make a useful contribution to improved competitiveness by training, retraining, and educating workers who may be affected by modernization or production adjustments which reflect an employer's effort to be competitive in international markets.

It is essential, however, that the process of establishing and operating these joint committees not be permitted to subvert existing collective-bargaining relationships between the employer and the exclusive representative of his employees. Thus, the bill should make clear that where an employer's workers are organized, the employer must negotiate with employees' representative over the establishment of a joint-labor management committee, and all of the employee representatives on that committee should be selected by the union or unions that represent the employer's employees. If only some of the employees are organized, separate labor-management committees should be established for the organized and unorganized employees, and the employer should not be permitted to establish a federally-funded training program only for his unorganized workers.

Worker Adjustment Assistance

The AFL-CIO is supporting H.R.1122, the Economic Dislocation and Worker Adjustment Assistance Act as a big step forward in what we hope will be effective action by the United States Congress to alleviate the human costs of economic change.

We want the key features of this bill kept together -- the part dealing with adjustment services for dislocated workers and the part dealing with labor-management notification and consultation.

H.R.1122 is a good, sound approach to meeting the employment and training eeds of workers hit by plant closings and major layoffs, and we give it our wholehearted endorsement. A supplementary statement outlining the AFL-CIO position on H.R.1122 is attached for the record.

Adminstration Readjustment Program

Let me comment briefly on some component's of the Reagan Administration's so-called competitiveness package.

One key part of this package (Title I-C), the Worker Readjustment Program, generally follows the recommendations of the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation.

We are encouraged that the Administration recognized the problems of dislocated workers, proposed a $980 million program to deal with these problems, and called for "rapid response units" in the states to deal with these problems.

However, we want new money -- not money taken from Trade Adjustment Assistance and vocational education. We oppose the Administration effort to dismantle TAA and vocational education.

We want to give credit to the Administration for raising the issue of joint labor-management committees in the states (Section 1206), although we prefer the approach taken in H.R.1122. We note the Administration proposes that substate plans must include the means for assisting in the establishment of labor-management committees and the means for involving labor organizations in development and implementation of services (Section 1209). We also appreciate the Administration's concern for labor standards (Section 1216) and for labor consultation (Sections 1217 and 1253, for example).

H.R. 1122 is a better vehicle for assistance to dislocated workers than the Administration's Worker Readjustment Program.

The workers we represent are hopeful that this Committee will take prompt action in this area, and we appreciate the leadership and support you have given them.

Mr. Chairman, we are also submitting for the record the AFL-CIO Executive Council statement on plant closing legislation and a table which shows regional rates of dislocation by reason of plant closings and major layoffs.

I am happy to answer any of your questions.

87-12

Supplementary Statement by Thomas R. Donahue, Secretary-Treasurer
American Federation of Labor and Congress of Industrial Organizations,
to the House Education and Labor Committee
on H.R.1122, the Economic Dislocation and Worker Adjustment Assistance Act

March 12, 1987

The AFL-CIO supports H.R.1122, the Economic Dislocation and Worker Adjustment Assistance Act. Plant closings and mass layoffs inflict profound injuries on the workers who lose jobs, their families, their communities, and on our whole society.

H.R.1122, which provides for advance notice, consultation and adjustment services, provides the basis for an important step forward by the United States Congress to do whatever can be done to prevent plant closings and major layoffs from occurring, to minimize the human costs of economic change and to cushion the process of adjustment for workers and local communities adversely affected by plant closings and major layoffs.

Plant closings and mass layoffs strip three million workers of their jobs every year, with tragic consequences for the dislocated workers, their families and their local communities.

The manufacturing sector of the economy has been especially hard hit by plant closings and mass layoffs, contributing to the deindustrialization of the American economy and reflecting the destructive impact of corporate investment policies and federal fiscal, monetary and trade practices.

The heavy toll on dislocated workers includes:

* Joblessness averaging six months, with more than one-fifth of all dislocated workers remaining jobless for more than two years;

- an average wage reduction of 16 percent, with earnings losses of 30 percent for those required to switch occupations or industries to find new jobs.

Plant closings and major layoffs are a national problem -- not simply a regional problem. In fact, the highest rates of worker dislocation from plant closing from 1981 to 1985 are in the East South Central and West South Central states and the lowest dislocation rates are in the Northeast and Midwest so-called "rust belt" states. The regional dislocation rates appear in an appendix to this testimony.

In many situations, the injuries suffered by workers and their communities could be ameliorated, or avoided altogether, by timely government or private intervention. Some contemplated plant closings and mass layoffs are preventable. Indeed, less than 10 percent of plant closings are due to bankruptcy or financial insolvency. And where a closing cannot be prevented, its disruptive effects can be minimized by a variety of readjustment measures.

Under decisions of the Supreme Court and the National Labor Relations Board, most plant closing decisions are not mandatory subjects of bargaining. This means that employers are free to bypass the collective bargaining process in making decisions on this most vital of matters, foreclosing the opportunity to search for constructive alternatives to a contemplated closing. Employers likewise have no legal obligation to provide advance notice to employees of plant closing or mass layoff decisions.

Most workers do not now get sufficient advance notice of decisions on plant closings or major layoffs. Two-thirds of blue-collar workers facing plant closings receive less than two weeks advance notice and one-third receive no notice at all. The average non-union worker gets two days notice. The situation is a little better for white-collar workers.

The task force on plant closing and worker adjustment appointed by the Secretary of Labor concluded in its January 1987 report that: adequate advance notice is "an essential component of a successful adjustment program;" there is no evidence to support business fears regarding notice; and serious problems of worker adjustment now occur because corporate management rarely gives adequate advance notice.

The United States government has a responsibility to protect American workers and local communities from the devastating consequences of plant shutdowns and mass layoffs. In Canada, where advance notice is required, an industrial adjustment service of the federal government has been effective in working with labor and management to cope with plant closing and worker adjustment problems.

Many American corporations are operating abroad under foreign laws which require advance notice of plant closings and major layoffs. Such laws exist in Canada, Sweden, France, West Germany, the United Kingdom, and Japan. In this country there are a few labor-management contracts which call for advance notice.

There is no evidence that giving advance notice is harmful to the employer. Contrary to widespread mythology, notice does not lead to lower productivity and may even raise it.

The AFL-CIO Executive Council last month called for immediate passage of federal plant closing legislation that provides:

- Mandatory advance notice of contemplated plant closings and mass layoffs, accompanied by disclosure of all relevant information pertaining to the reasons for and basis of the contemplated action and possible alternatives to such action.

- Consultation with labor and the community and access to government technical assistance, to explore alternatives to closing and to plan assistance for workers and communities where a closing cannot be prevented.
- Compensation in the form of mandatory severance pay to workers who do not receive advance notice or whose union is not offered an opportunity for consultation with respect to a contemplated closing or mass layoff decision.
- An industrial assistance program on the Canadian model to provide rapid-response, plant-specific assistance for dislocated workers, including job training with adequate income support during training; education and relocation assistance; and employment service assistance for job-related counseling, job placement and job search.

Support Advance Notice and Consultation

In light of the profound injuries to workers, communities, and the whole society resulting from plant closing and mass layoffs, the first task of public policy in this area must be to do whatever can be done to prevent closings and layoffs from occurring. Accordingly, the first requisite of any bill that seeks to address the problem of plant closings and mass layoffs is a requirement, such as that contained in Title II of H.R.1122, that an employer provide advance notice of a proposed closing or layoff and consult in good faith with the affected governmental authorities and with the representative of the affected employees concerning the proposed action.

Requiring advance notice and consultation assures that before an employer makes a final and irrevocable decision to close a plant or to effect a mass layoff, all relevant considerations will have been presented to the employer for his evaluation and all alternatives to the contemplated action will have been fully explored. In the world of industrial relations, as in the world of politics and in life generally, the reality of an impending crisis focuses the mind in a way in which mere possibilities and threats do not. When a crisis is clearly at hand -- and notice of a proposed plant closing or mass layoff would surely constitute a crisis for the workers to be affected -- parties with otherwise conflicting interests are not infrequently able to transcend their conflicts and together develop solutions to their joint problem.

In the plant closing context, for example, notice of a threatened closing may induce local or state governments -- which are accustomed to developing incentives to attract new businesses -- to come forward with a package of assistance that may enable the existing employer to continue operations. Alternatively, through notice and consultation, the employees may develop methods of saving the business by reducing costs and/or improving productivity, or even by purchasing the plant through an employee stock ownership plan or other similar device. In sum, through notice and consultation, solutions may be developed which did not occur to the employer in making a preliminary decision to close, or which the employer had wrongly assumed to be unobtainable.

In order to assure that the process of consultation works effectively and to maximize the possiblity that through consultation plant closings can be prevented, H.R.1122 wisely requires an employer contemplating a closing or layoff to provide "such relevant information as is necessary for the thorough evaluation of the proposal to order a plant closing or mass layoff or for the thorough evaluation of any alternatives or modifications suggested to such proposal." Without adequate information it is not possible for unions or for governments to fashion realistic proposals to address the employer's needs.

We recognize, of course, that in many situations, consultation will not be able to avert a closing or mass layoff; in a world in which economic change is a constant, closings, relocations, and the like will always be occuring. But even if the notice and consultation provisions were able to prevent only a small portion of contemplated closings and mass layoffs, those provisions -- which impose the most minimal of burdens on employers -- would be amply justified by the injuries that would be avoided.

Moreover, as Professor B. Glenn George has observed, the process of notice and consultation "has value for labor-management relations irrespective of any resolution and problem-solving function it typically services." Allowing employees an opportunity, through their representative, to discuss the reasons for and participate in a closing or layoff decision "must inevitably increase the likelihood that the employees will understand...such management decisions" and thereby "diffus(e) the sense of unfairness and abuse that employees facing the consequences of unemployment undoubtedly feel." The resulting "enhancement of mutual respect and a sense of fairness and due process" that will result from the consultative process thus provides an independent justification for requiring advance notice and consultation with respect to decisions that will profoundly affect large groups of workers.

Finally, the advance notice requirement of H.R.1122 is essential for yet a third reason: as the task force appointed by the Secretary of labor concluded in its January 1987 report, adequate advance notice is "an essential component of a successful adjustment program."

Where a plant closing or mass layoff cannot be prevented, it is the obligation of government to assist the affected workers in readjusting and thereby minimizing the injuries inflicted by the closing or layoff. But the process of readjustment, by definition, cannot begin until the workers are notified that their employment will be terminated. With advance notice, a worker has some opportunity to begin the process of adjustment -- to look for a new job, to make arrangements for the worker's family, to deal with the psychic stress -- before the worker is actually out of work. And with advance notice, the government can commence its readjustment assistance efforts before large numbers of workers have been thrown out of work. Indeed, the concept of a rapid-response unit -- a concept whose value has been proven in Canada and which the Reagan Administration has endorsed -- is hollow without some requirement of advance notice to trigger that unit's efforts.

In Canada, where advance notice is required, the average duration of unemployment for displaced workers getting rapid-response assistance was 7½ weeks, whereas regular unemployed workers getting unemployment compensation without rapid-response help were out of work an average of 22 weeks.

The AFL-CIO thus endorses the provisions of Title II of H.R.1122 as necessary both to prevent avoidable closings and to minimize the injuries resulting from unavoidable closings. We support Title II's concept of relating the length of the advance notice requirement to the number of workers to be affected, because we believe more extensive consultation is called for, and more time needed for readjustment, when large numbers of workers are to be affected by a closing than when smaller number of persons are affected. In our view, the notice requirements in Title II -- which range from 90 days where 50-100 workers are involved to 180 days where more than 500 workers are involved -- are minimal requirements, and we endorse these provisions of the bill.

We likewise support the inclusion in the bill of reasonable penalties for employers who fail to provide the advance notice required by the bill or who fail to engage in good-faith consultation. These penalty provisions are carefully tailored to the harm that will result if an employer violates the requirements contained in Title II, as the penalties provide the affected workers and governments with a minimal amount of compensation if they are not provided with the advance notice and the opportunity to consult to which they are entitled under the bill.

$980 Million

We welcome the authorization in H.R.1122 for $980 million to provide services and support to dislocated workers. This is a substantial and necessary increase over the inadequate funds which have been available for these purposes under Title III of the Job Training Partnership Act of 1982, although we estimate that it is less than a third of the amount needed. However, it is a significant step in the right direction.

The Reagan Administration's proposed worker readjustment program has its faults -- and we consider H.R.1122 a better and preferable approach to dealing with plant closings, major layoffs, and worker readjustment assistance -- but we note that the Administration recognized the problems, proposed a $980 million program to deal with these problems, and called for "rapid response units" to deal with these problems. However, we strongly believe that the $980 million should be new money. We want new money -- not money stolen from Trade Adjustment Assistance and vocational education. We oppose the dismantling of TAA and vocational education as proposed by the Administration.

Tripartite Committee

We strongly support section 309 of H.R.1122, which calls for a national tripartite advisory committee on plant closings and worker adjustment. A national tripartite committee would help the Secretary of Labor and the Dislocated Worker Unit in the Labor Department operate more effectively in carrying out their responsibilities under this legislation.Here is what the Secretary of Labor's task force said:

"A federal tripartite advisory committee would be established, composed of business, labor and the public, which would act as a mechanism to review program performance against the objective -- quality re-employment -- and make recommendations for improvement."

We think the Administration deserves credit for proposing such a national Worker Readjustment Advisory Council to be appointed by the Secretary (Section 1254). However, we must quickly qualify this credit because the Administration's advisory council -- instead of being a genuine tripartite group -- would be 50 percent business, 25 percent labor, 25 percent public officials, and a business representative would always be chairman. We urge you to maintain the genuinely tripartite federal advisory committee as proposed in H.R.1122.

We welcome the requirement in H.R.1122 that state governors set up tripartite advisory committees to advise the governor and the state dislocated worker unit on administration of programs to help dislocated workers in that state and to review state worker readjustment assistance plans. This is a good requirement at the state level as it is highly desirable at the national level.

This principle of involving the people directly concerned to make the system work better is sound, and therefore we also endorse the requirement of Section 307(b)(2) of H.R.1122 that the Secretary of Labor set a standard to encourage establishment of joint worker-management adjustment committees at each plant closing or major permanent layoff to coordinate readjustment services to displaced workers, including helping them find new jobs or training opportunities. We support the requirement for an impartial, non-affiliated chairman and an ex-officio government member of these committees.

Strong Federal Role

It is essential for the U.S. Department of Labor to demonstrate leadership and provide effective guidance to the states in administering these programs. We welcome the proposal in H.R.1122 for a Dislocated Worker Unit in the Labor Department to administer and to supervise "rapid response" worker adjustment assistance programs in the states and at the national level. We generally support the approach taken to "State Delivery of Dislocated Worker Services" in Section 305 of H.R.1122, including labor standards and state-wide tripartite advisory committees.

We also want to give credit to the Administration bill for raising the issue of joint labor-management committees in the states (Section 1206), although we prefer the approach taken in H.R.1122. We note the Administration proposes that substate plans must include the means for assisting in the establishment of labor-management committees and the means for involving labor organizations in development and implementation of services (Section 1209). We also appreciate the Administration's concern for labor standards (Section 1216) and for labor consultation (Sections 1217 and 1253, for example).

States must be required to provide a high level of detail in their plans relating to those workers to be served, the kinds of services provided to them and the designated program operators, so that the Secretary of Labor can effectively review these plans. At the same time states should be given the flexibility to select program operators on the basis of demonstrated effectiveness rather than predetermined status in the JTPA system.

Organizations such as the AFL-CIO Human Resources Development Institute, the National Alliance of Business, and Project 70001, which have extensive experience in designing and operating displaced worker programs should be fully utilized by the Department of Labor.

We would also like to see strengthened provisions in the law relating to public review and comment, complaint procedures, as well as consultation with organized labor when union members are affected by these programs.

We commend your commitment to providing income support for workers who have exhausted other benefits so that they may enroll in longer-term training, and we again urge that the Department of Labor take a strong role in making sure that the states provide this necessary income support.

Discretionary Funds

Part B of Title II in H.R.1122 provides for demonstration programs to be funded from the discretionary money available to the Secretary under this legislation. We welcome the low-interest training loan demonstration program to supplement existing training programs. We also welcome the concept of the proposed public works employment demonstration programs -- but we believe the wage standards set in Section 345(a) are excessively restrictive and should be raised. Also we urge that the permissive language in Section 337(b) be changed to mandatory language so that the Secretary of Labor is required to prescribe labor standards based upon Section 143 of the Job Training Partnership Act.

We support reservation of 30 percent of funds appropriated under this legislation for multi-state, industry-wide, demonstration, exemplary, and discretionary programs designed to increase employability of dislocated workers. We support the specific reservation of not less than 70 percent of these funds for the Secretary of Labor's discretionary and exemplary programs. We prefer the 70 percent reservation to the 50 percent reservation in the companion Senate bill.

Oppose Defederalization

We are deeply concerned about the crisis in the nation's unemployment insurance system which now provides benefits to only one-third of America's jobless. the long-term jobless -- including many dislocated workers -- are virtually unprotected by the extended UI benefit program that was supposed to help them. We object to the Administration's proposal, included in the competitiveness package, to defederalize the funding of the costs of administering unemployment insurance and job service programs. Putting this additional cost burden on the states will result in additional cutbacks in services which are essential to adjustment assistance for dislocated workers.

We object to the further decentralization of these programs as proposed in the Administration's worker readjustment bill and we object to the inadequately comprehensive income support necessary for workers to receive long-term training. H.R.1122 is much closer to meeting workers' needs.

Trade Adjustment Assistance

We have examined the Reagan Administration's proposal to set up a new worker readjustment program as one part of the Administration's so-called competitiveness initiative. We strongly oppose the Administration's call for eliminating Trade Adjustment Assistance by folding it into the new worker readjustment assistance program. The Secretary of Labor's task force did not recommend elimination of TAA.

The AFL-CIO is supporting legislation to expand Trade Adjustment Assistance both in coverage and scope, financed by an import surcharge, to help those workers harmed by trade. We will continue to oppose any effort to kill TAA or fold it into plant closing worker adjustment assistance legislation.

Trade Adjustment Assistance is a key part of a social compact by which the labor movement was enlisted in support of national trade policy in 1962 and again in 1974. The promise of TAA was and is to offset losses to workers resulting from national trade policy. In theory, although not in reality, TAA could include up to a year of income support, up to two years of training, extended job search assistance, and family relocation assistance.

We recognize that current TAA funding is now totally inadequate, but we urge that this program continue and we want to see it funded at a level sufficient to deal with the problems of import-injured workers and communities and industries.

In conclusion, Mr. Chairman, I repeat the strong endorsement of the AFL-CIO for S.538. We believe this bill is a good, sound approach to meet the employment and training needs of workers hit by plant closings and major layoffs.

We urge prompt, favorable action on S.538 by this Committee and by the Congress. Thank you.

Statement by the AFL-CIO Executive Council

on

Plant Closing and Worker Dislocation Legislation

February 17, 1987
Bal Harbour, FL

Plant closings and mass layoffs strip three million workers of their jobs every year, with tragic consequences for the dislocated workers, their families and their local communities.

The manufacturing sector of the economy has been especially hard hit by plant closings and mass layoffs, contributing to the deindustrialization of the American economy and reflecting the destructive impact of corporate investment policies and federal fiscal, monetary and trade practices.

The heavy toll on dislocated workers includes:

- Joblessness averaging six months, with more than one-fifth of all dislocated workers remaining jobless for more than two years;
- An average wage reduction of 16 percent, with earnings losses of 30 percent for those required to switch occupations or industries to find new jobs.

In many instances, the injuries suffered by workers and their communities could be ameliorated, or avoided altogether, by timely government or private intervention. Some contemplated plant closings and mass layoffs are preventable; indeed, less than 10 percent of plant closings are due to bankruptcy or financial insolvency. And where a closing cannot be prevented, its disruptive effects can be minimized by a variety of readjustment measures.

Under decisions of the Supreme Court and the National Labor Relations Board, most plant closing decisions are not mandatory subjects of bargaining. This means that employers are free to bypass the collective bargaining process in making decisions on this most vital of matters, foreclosing the opportunity to search for constructive alternatives to a contemplated closing. Employers likewise have no legal obligation to provide advance notice to employees of plant closing or mass layoff decisions; indeed, a majority of blue-collar workers facing plant closings receive less than two weeks advance notice and one-third receive no notice at all.

The task force on plant closing and worker adjustment appointed by the Secretary of Labor concluded in its January 1987 report that: adequate advance notice is "an essential component of a successful adjustment program;" there is no evidence to support business fears regarding notice; and serious problems of worker adjustment now occur because corporate management rarely gives adequate advance notice.

The United States government has a responsibility to protect American workers and local communities against the devastating consequences of plant shutdowns and mass layoffs. In Canada, where advance notice is required, an industrial adjustment service of the federal government has been effective in working with labor and management to cope with plant closing and worker adjustment problems.

To minimize the human costs of economic change and to cushion adjustment by workers and local communities, the AFL-CIO calls for immediate passage of federal plant closing legislation that provides:

- Mandatory advance notice of contemplated plant closings and mass layoffs, accompanied by disclosure of all relevant information pertaining to the reasons for and basis of the contemplated action and possible alternatives to such action.
- Consultation with labor and the community and access to government technical assistance, to explore alternatives to closing and to plan assistance for workers and communities where a closing cannot be prevented.
- Compensation in the form of mandatory severance pay to workers who do not receive advance notice or whose union is not offered an opportunity for consultation with respect to a contemplated closing or mass layoff decision.

- An industrial assistance program on the Canadian model to provide rapid-response, plant-specific assistance for dislocated workers, including job training with adequate income support during training; education and relocation assistance; and employment service assistance for job-related counseling, job placement and job search.

In addition, the AFL-CIO supports legislation to expand trade adjustment assistance both in coverage and scope, financed by an import surcharge, to help those workers harmed by trade.

The AFL-CIO will support plant closing legislation that meets these objectives and urges early action by the Congress.

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Appendix

Regional Dislocation and Rates of Dislocation, 1981-1985

BLS Region***	Worker Dislocation* Plant Closings (000)	Worker Dislocation* Total (000)	Rate of Dislocation** Plant Closings	Rate of Dislocation** Total
New England	246	454	4.5%	8.2%
Middle Atlantic	695	1,411	4.7	9.6
East North Central	950	2,185	5.8	13.3
West North Central	396	865	5.4	11.8
South Atlantic	790	1,603	5.0	10.2
East South Central	367	763	6.6	13.7
West South Central	681	1,525	6.6	14.7
Mountain	327	701	6.5	13.8
Pacific	774	1,703	5.6	12.3
Total	5,224	11,210	5.5	11.8

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* Dislocation is all workers (aged 20+) permanently dislocated because of a plant closing or because of a position or shift being abolished, slack work or self-employed business failure.

** Rate calculated as number of adult workers dislocated between 1981 to 1985 per adult employee in state or region in 1983.

*** Regions are: New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut); Middle Atlantic (New York, New Jersey, Pennsylvania); East North Central (Ohio, Indiana, Illinois, Michigan, Wisconsin); West North Central (Iowa, Missouri, Nebraska, Kansas, Minnesota, North Dakota, South Dakota); South Atlantic (Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida); East South Central (Kentucky, Tennessee, Alabama, Mississippi); West South Central (Arkansas, Louisiana, Oklahoma, Texas); Mountain (Montana, Wyoming, Colorado, Utah, Idaho, Arizona, Nevada, New Mexico); Pacific (California, Hawaii, Washington, Oregon, Alaska).

Source: Bureau of Labor Statistics January 1986 Dislocated Worker Survey and Geographic Employment Profile, 1983 (Bulletin 2215), in "Dislocation: Who, What, Where and When," Industrial Union Department Research Paper, March 1987.

Chairman **Hawkins**. Thank you, Mr. Donahue, for a very clear statement.

With respect to the Administration Readjustment Program to which you referred in the statement, we too are encouraged by this proposal. There are, obviously, some parts of it with which we disagree. But much of what they have proposed we will consider and attempt to fold into whatever legislation is passed out which addresses the same problem, including the trade bill.

We note that you indicate that you oppose the idea of taking the money from trade adjustment, and vocational education. It was my understanding that their proposal was to include trade adjustment and Title III of the Job Training Partnership Act. At no time that I can recall did they indicate that the vocational education money would also be considered as part of a package deal. Is it your understanding that the $980 million also includes vocational education?

Mr. **Donahue**. Yes, Mr. Chairman. There is, by our best estimates, at least $100 million in vocational education money which has shifted out of the vocational education budget and which appears in the new monies—or in the money that the Administration argues for in its $980 million.

As we understand that money, it is made up of $200 million from JTPA—these figures, incidentally, are from the Secretary of Labor's Task Force on Economic Adjustment and Dislocation—$200 million from JTPA, $30 million from TAA training costs, $100 million from assumed labor market services provided by the employment service. And we would add at least $100 million from vocational education.

Chairman **Hawkins**. Well, do they specifically state that that money also——

Mr. **Donahue**. No, sir.

Chairman **Hawkins**. Well, that is a point I wanted to clear up.

Mr. **Donahue**. No, they do not.

Chairman **Hawkins**. I asked the Secretary of Labor whether or not the $980 million is monies that would be new monies or monies taken from another program. I was specifically informed, I recall, by the Secretary that they were referring only to the Title III and to the trade adjustment monies.

We obviously would oppose it in any event anyway. In that respect we agree with you.

There are other sections of the proposal that we think deserve some consideration. Several members of this committee have studied the Canadian rapid response system, and we feel that it has operated very successfully.

We also note with great concern the proposed establishment of labor-management committees. These must be created under the proper conditions. I am quite sure that you have some of the same reservations. We think that this also is one of the desirable features of the proposal. And we also, obviously, welcome the new money, and we will attempt to use it effectively and fold it into the proposed bills that we will have before this committee.

I have no other questions. Mr. Ballenger, do you?

Mr. **Ballenger**. I seem to be the sole representative on this side.

Yes, sir. I do have one question, Mr. Donahue. And it is good to see you again.

Mr. **Donahue**. Thank you.

Mr. **Ballenger**. I have not seen you since Williamsburg.

But if the joint work between labor and management committees is to work, don't you think it has to be kind of a—what do you call it—enthusiastic acceptance by both sides? Do you feel that if that is one of the necessary points that mandating it by law would cause a problem?

Mr. **Donahue**. Well, I do not read the bill to mandate those committees. It seems to me the bill does provide for volunteerism in shaping those committees. As I read the legislation, the existence of such a committee becomes a precondition for the Secretary's grant of funds or a demonstration project monies.

But sure, I think that in the general sense labor-management committees will work in a voluntary atmosphere. There is a certain mandating that is done under the National Labor Relations Act. When we represent a majority, the law says you must bargain and write a collective bargaining agreement. And that is clearly mandated, and we favor that, obviously.

Beyond that, the labor-management committee structure is such that it does depend upon a high degree of cooperation between the parties and the people involved. And we see that as tied to, or linked with, but separate from, a collective bargaining structure. The labor-management committee takes on a different kind of function in the work place than the collective bargaining agreement does.

Mr. **Ballenger**. Well, do you find any legal obstacles like you just mentioned, the National Labor Relations Act or antitrust, or anything like that would prohibit or hinder the formation of this operation?

Mr. **Donahue**. No, I do not offhand, Mr. Ballenger. I think that we have had fair experience now over many years with labor-management committees, some going back 30, 40 years, in various industries or in work places. And to the extent that they are entered into by both management and labor in a constructive spirit, they have worked reasonably well. And they do provide an addition and an improvement of the work place relationship.

Mr. **Ballenger**. With no legal obstacles that you have seen?

Mr. **Donahue**. None that I am aware of. I know that the Deputy Under Secretary of Labor, Steve Schlossberg, in the report which they did on labor-management cooperation does raise some questions about legal strictures impinging upon the formation or operation of labor-management committees.

It seems to me, however—my recollection of looking at that rather quickly is that they are not mainstream kind of objections. And surely there is enough current experience with labor-management committees that has not been inhibited by current law.

Mr. **Ballenger**. Thank you, sir.

Chairman **Hawkins**. Thank you.

Mr. Clay?

Mr. **Clay**. Thank you, Mr. Chairman.

Mr. Donahue, will you elaborate on the statement you made in your opening remarks about the need for fast track—a dual-track between H.R. 1122, the dislocated workers bill, and the H.R. 90, trade competitiveness act?

Mr. DONAHUE. Yes, sir. It seems to us that—I will start first with the problem on trade adjustment assistance. And I want to set that aside because that is part of a historic compact, and we have always believed that this nation said to its workers and the Congress said, there is a program of trade adjustment assistance which will provide the following benefits.

That has not happened. As you well know, in the last six years trade adjustment assistance has dropped from somewhere in the neighborhood of $1.7 billion down to about $25 million in these past years—or $35 million. And so there is an enormous disappointment in our ranks about that because this nation has not kept faith with the people to whom it made the promise of trade adjustment assistance.

We insist that that not disappear in this effort to shape something new called a competitiveness package, as the Administration has proposed.

Setting that aside, H.R. 90 addresses a part or some parts of the problem. It addresses the questions of trying to work with employers and industries that are trade impacted or may be adversely affected by international conditions I think in the language of the bill.

It does not provide what 1122 provides in terms of a rapid response to a plant closure or to a mass layoff notice. And those two things, the impact of trade and mass layoffs or closings may very well run together. 1122 provides for notice and consultation of an impending closure or layoff affecting more than 50 workers. That notice and consultation is absolutely essential if we are going to improve the process of trying to find employment for people, if we are going to improve the process first of trying to avoid the closure or the layoff and search out the alternatives, and then if no alternatives are available, if we are then going to be able to work with the employees and try to examine their needs in terms of future employment and how that future employment can be facilitated.

So that it seems to us that you have to move forward on both tracks and both bills need to be advanced. If the only thing that happened was that H.R. 90 was passed and 1122 fell by the wayside, then we would lose the benefits of all of the concepts which will make H.R. 90 effective.

Mr. CLAY. Some people are of the opinion that the vast majority of dislocated workers are as a result of foreign trade. And as I understand H.R. 90, it would only cover workers whose jobs are affected by foreign trade.

What does your research show in terms of people who were dislocated? Is that a true assessment or are there just as many people dislocated for other reasons than foreign competition?

Mr. DONAHUE. I think it is—I was asked that question the other day, Mr. Clay. And the question set out a series of reasons that lead to layoffs or dislocation. And I answered by saying I think it is all of the above. And I think that if you look at why we are—why we have lost 11 million jobs—and there are some figures that say we have lost 11 million jobs because of trade over a five year period. If you look at our loss of 3 million closures or 3 million jobs a year because of closings and layoffs, I think a good proportion of those are related to trade. But related to trade and meeting the conditions for trade adjustment assistance are two quite different things.

I read H.R. 90 as being slightly broader than just trade related because I read the language that speaks about these grants, for example, being available to employers and to joint labor-management committees where the industry is affected by—it says, "For purposes of programs under this section, eligible worker"—I am at I guess that is subsection 2 of section 493. "For purposes of programs under this section, eligible worker who is or may be at risk of losing employment because of skill obsolescence, or because of a modernization or other production adjustment program, which his or her employer is undertaking in order to remain or become competitive in international markets."

I read that as somewhat broader than trade impacted kind of concept that we have in trade adjustment assistance. So, I think it does cover situations beyond the narrow trade impacted industries.

Mr. CLAY. Thank you.

Thank you, Mr. Chairman.

Chairman HAWKINS. Mr. Murphy?

Mr. MURPHY. Thank you, Mr. Chairman.

Thank you, Mr. Donahue. We sure appreciate your testimony today. I do particularly appreciate your addressing what I look at as the primary need of trade legislation, the education and training of our American workers, and that you have not forgotten that trade adjustment is something that is of particular concern to many American workers.

The certification under the Trade Adjustment Act is often delayed long enough to defeat the very purpose of it with many of our workers. We find that by the time they get the ruling, the 52 weeks have elapsed in order for them to have 26 weeks of employment.

I am at the present time drafting legislation to extend that 52 weeks for a period of two years so that it would give them an opportunity to have worked any time in the previous two years. That is why the drastic cut in benefits have been paid from well over a billion dollars down to several million. It is something that is of particular concern to the long-term unemployed. So, I am very happy that you are not forgetting that our prime effort is to get America's workers retrained under 1122 and go from there.

So, I do not have any questions except to thank you very much for your testimony.

Mr. DONAHUE. Thank you, Mr. Murphy.

If I might just note, the trade adjustment assistance—I just found the figures—provided benefits to some 685,000 workers in 1980, and the latest figure in 1984 provided benefits to 19,000 workers. And it seems to me—it is rather clear—the trade deficit numbers went quite the other way.

Mr. MURPHY. Absolutely, totally the other way.

Mr. DONAHUE. We went from balance I guess in 1980 to last year's $70 billion. So, while the trade deficit was soaring, the program of trade adjustment assistance was being gutted precisely by the kind of——

Mr. **Murphy**. And unfortunately we are operating under the same law but with different people running it.

Mr. **Donahue**. That is right.

I was in your state in Allentown about a year and a half ago at a regional conference that we had. And we did a meeting and a Q and A. And a young man got up, and he said he had worked at Bethlehem for 14 years. It was the only job he had had after high school. He had been laid off, had gone to the Pennsylvania employment service, had been told that he clearly qualified for trade adjustment assistance. And he said, the man explained to me I was entitled to benefits for a year. I was entitled to a relocation allowance. I was entitled to subsistence and so forth. But he said, then he looked at me, and he said, but there is no money. And the question to me was what should I do about that. I obviously was unable to answer that one.

Mr. **Murphy**. We have many of our workers asking that same question.

Mr. **Donahue**. Yes.

Mr. **Murphy**. Thank you very much. Thank you, Mr. Chairman.

Chairman **Hawkins**. Mr. Kildee?

Mr. **Kildee**. I have no questions at this time, Mr. Chairman.

Chairman **Hawkins**. Mr. Owens?

Mr. **Owens**. I have no questions, Mr. Chairman.

Chairman **Hawkins**. Mr. Hayes?

Mr. **Hayes**. Thank you, Mr. Chairman. I have no questions. I support the bills, but I have some questions as to whether or not they go far enough to really solve our problem.

Chairman **Hawkins**. What became of all of those who argue with me all the time?

Mr. Sawyer?

Mr. **Sawyer**. I have no questions, Mr. Chairman.

Chairman **Hawkins**. Mr. Penny?

Mr. **Penny**. Sorry to break things up by asking questions, but I have a few.

Mr. Donahue, you indicated that you want any money spent on these programs to be new money. Where is the money going to come from?

Mr. **Donahue**. I think the Congress should appropriate and authorize new money in addition. I have no objection to using some of what is available now and has been spent this past year in programs of—that look to normal worker adjustment programs.

So, the JTPA funding—if this program that is now called economic adjustment and worker dislocation—if that program is to take over the functions of JTPA, then the absorption of that $200 million is not unseemly. But I think we ought to know that that is exactly what we are doing. To say the Administration is now offering a $980 million program when it is not, when it is offering something less than $400 million in new money, that is—to confuse everybody, then that is simply not true.

I think that as to the new money—well, we would get into a long debate on the questions of taxation and balancing the budget, but I would have to say to you, Mr. Penny, that the trade movement did not get us here. We opposed the 1981 tax cuts. We proposed that the nation maintain a sound economy and a sound fiscal structure and a tax structure.

After the 1981 tax cuts, that becomes impossible. And you have all been wrestling with Gramm-Rudman and other solutions. New money for this program will either have to come out of other programs, existing programs, which either would be reduced or eliminated, or it would have to come by a net increase in spending. And that is a conundrum that this committee and this Congress deals with on this issue and a lot of others.

Mr. PENNY. But you do agree that it has got to be paid for somehow. You are not asking us to run up the deficit to provide another $500 million or $980 million for these programs, are you?

Mr. DONAHUE. I do not think you will do that. I do not think that that is going to be acceptable in the current climate. I think that if you are going to increase spending, you are going to have to find tax sources to cover that spending. And I happen to think that is appropriate. I think that you ought to be looking for, and the Congress ought to be looking for, ways to increase the income of this government so that it can properly fund the social programs that are essential.

Mr. PENNY. You gave a number on those workers assisted by the Trade Adjustment Assistance Act in 1984. Could you repeat that number for me?

Mr. DONAHUE. Sure. This is from a table—the source is from the U.S. Department of Labor, Employment and Training Administration. Trade adjustment assistance services provided to workers by year since 1976—I have this from an article in the California Management Review. But the table has its origins in the Department of Labor.

The numbers of workers assisted by trade adjustment assistance in 1980, 685,000 workers were assisted with an expenditure of $1.6 billion in income maintenance, and $6 million in training and reemployment services.

Mr. PENNY. Six million?

Mr. DONAHUE. Six million.

Mr. PENNY. Was that $1.6 million or——

Mr. DONAHUE. No.

Mr. PENNY [continuing]. $1.6 billion?

Mr. DONAHUE. No. It is $1.6 billion.

Mr. PENNY. Plus $6 million.

Mr. DONAHUE. Right.

Mr. PENNY. OK.

Mr. DONAHUE. I am sorry. I am sorry. No, that is right. That is right. It is $6 million in training and reemployment services.

The numbers of workers affected in 1980, 685,000; in 1981, 52,000; 1982, 19,000; 1983, 56,000; 1984, 19,000. That is at a time when our unemployment rate was running into double digits, when we were suffering trade deficits of hundreds of billions of dollars.

Mr. PENNY. Do you have the price tag for that program in 1984?

Mr. DONAHUE. $35 million in income maintenance, and $19 million training and reemployment services would be what?

Mr. PENNY. $54 million.

Mr. DONAHUE. $54 million.

Mr. PENNY. For 19,000 workers.

Mr. **Donahue**. In 1984, and I believe the figure for 1985 is somewhere—something lower than that. It is in the range of $35 million in total.

That is simply a broken promise. We were told that we would sign on for this cruise and if jobs were lost, there would be trade adjustment assistance available. Other nations, every other industrial nation, major industrial nation around the world, has kept that promise. And this nation has not.

Mr. **Penny**. We have right now Title III, the Job Training Partnership Act, the Trade Adjustment Assistance Act, and probably some other programs around here that are involved in worker retraining. And your proposal would ask us to put some additional resources in that area. I was a bit encouraged by your answer to my first question that you would not mind perhaps going back and phasing out that aspect of the JTPA if it were replaced in an effective way with something new.

I guess my concern was, as I looked at your testimony, that you are asking us to keep everything we have got and then add some other layer to that job training mix. And every time we do that, we have got a lot of overhead involved. And I do not think that it puts many people back to work to have a bunch of bureaucrats running a new program.

Mr. **Donahue**. I just meant to say that I do not think you should kid yourselves about what you are doing. You are not creating a $470 million or a $980 million program. You are packaging things differently. And there is a cycle, particularly in retraining programs, that afflicts the consideration of all of them. C.E.T.A. worked reasonably well, but it ran its cycle and had to have a different name and a different approach. And JTPA was adopted. And JTPA is apparently running its cycle and now it is going to be called economic adjustment and worker dislocation.

I just think you should understand that you are not creating a new thing. You are simply giving a new title to the $200 million that is in JTPA.

Mr. **Penny**. In H.R. 90, Title II has funds that will be made available to industries to handle retraining I assume in response to trade impacts. I notice in your testimony that you wanted us, if we do that, to make sure that the local committee that designs that retraining program have appropriate representation from unions.

Do you really think that that is the appropriate way to handle retraining, to have some new grant program that is made available to certain industries affected by trade knowing full well that there will be dozens of others applying for that same money that will be turned down and will be left to deal with whatever other programs are out there?

It seems to me like we are going to be picking some industries for a special program that they themselves will run and sending everyone else to the vocational school system or to the other infrastructures that provide that training.

Mr. **Donahue**. Well, it seems to me again that the effort is to move the training and the development of services to these workers a little closer to where they are to their work places and the connection that they have to an industry. All of the evidence in the Canadian experiment and others tells us that when that has been done, the response time is reduced, people are more quickly placed in employment.

The Canadian experience cited in the report of the Secretary of Labor's task force says that they cut—by using the rapid response team in the industries, they cut the average unemployment from 22 weeks to 7 weeks. That is to say, workers assisted in their work place in their industry by these rapid response units suffered an average 7 or 7 and a half weeks unemployment. The persons not so dealt with in society who went to the local employment service, when they found themselves unemployed, averaged 22 weeks.

That seems to me an enormously powerful testimony to why we ought to try this approach. And the labor-management committee structure gives you a vehicle for doing that. I do not think it is necessarily the construction of another bureaucracy. I think that the delivery of many of these services at the local level will be coordinated.

The training program—the company in Pennsylvania that is afflicted or sees an upcoming layoff will not create its own training program. But it will have the ability to know exactly what kind of training its people, its workers, would benefit most from and be able to direct them to that. I do not think the bill means that each employer or each industry is going to create its own special training facilities. Although in some situations that may be the proper thing. That is, after all, what has been done in the automobile industry rather successfully.

Mr. PENNY. I have no further questions.

Thank you, Mr. Chairman.

Chairman HAWKINS. Mr. Visclosky?

Mr. VISCLOSKY. I have no questions, Mr. Chairman.

Chairman HAWKINS. Mr. Donahue, I thoroughly sympathize with your moderate proposal.

But I would hasten to say that in a sense I have only this criticism, which I address to the Administration as well. This is rather a puny approach to a rather serious problem.

In 1985 about 60 percent of dislocated workers had either remained unemployed or else had very substantial reductions in their earnings. Individuals that had been earning around $12 or $15 an hour were then in 1985 being employed in a service economy that paid them actually at the $7,000 a year level. They worked only part-time, a part of the year, and as a result, other members of the family had to come to their rescue. And so you had two individuals employed where previously one was employed. This hiked, of course, the participation rate. And the President brags about more people being employed. But the total wages and the aggregate demand of the country was not increased measurably.

And if we go on this way, it seems to me we cannot meet competition of other countries unless we have a vigorous, healthy, a growing economy and one where the labor force is intelligent, is educated and trained which is not being done. So, it seems to me that we are headed for a disaster. We are not headed for a balanced budget. It is just the opposite. And I guess my question is, don't you think that it is time that we elevate our vision and attempt to point out that these are really bandaids. Unless we can change that mood and get back on track with a vigorous growth rate, which we do not have now we are heading for trouble. Talk about the Japanese people—what they are doing to us is fine but, it seems to me part of the problem is what we are doing to ourselves.

Would you care to comment?

Mr. DONAHUE. Surely. I certainly share your views, Mr. Chairman. And there are a number of statistics that we have submitted.

When Dr. Oswald testified I guess about a month ago on the general situation of employment and unemployment in the United States and the prospects for our economy, we are certainly as distressed as you by the acceptance of a 7 percent unemployment rate as somehow normal—and that is all right. We do not have to worry about that—by the acceptance of the view that our youngsters can go to college and it does not matter how heavily indebted they are when they come out of those colleges or whether that is a disincentive to their completing that education.

It seems to me we are creating among those youngsters precisely the kinds of problems that we created in Latin America and elsewhere and they are going to be so debt-burdened, so debt- ladened, by the time they begin their work life, that the very fact of that debt will be a disincentive to their success.

And it is clearly a disincentive and a barrier to kids trying to get into college. That is why I think that Title I of your proposal is, indeed, a very modest beginning in improving an educational system. But it does not begin to address the problems of those kids and how does this nation make good on the promise that we thought we made and that the people want maintained, the promise that we will educate everybody equally, thereby create equal education and equal opportunity and improve a democratic society and maintain a democratic society.

I think the school burden problems and the question of educating future generations is as much a democratic value question as it is an economic and growth oriented question. But clearly, even for those latter reasons, we have to do something about education and improving the people who train and the people who are trained in our schools.

Similarly, I think that we are utterly failing to meet the needs of the people in the current work force, both the people who—as Mr. Murphy noted, already in extremists, who have been in long-term unemployment. And we are failing to deal in any way with their needs or with their needs or with those who are becoming currently unemployed.

We have pretended not only that we had a state university system which would offer free educations, but we have pretended and continue to pretend we have an unemployment insurance system in this country. And it is a system which delivers benefits to 30 percent of the unemployed. I think that is a national scandal. I do not understand how that exists without our doing something about it.

If you ask the man in the street, what happens if you are unemployed, he will tell you, well, he will go to the office and collect his unemployment insurance. And he is wrong unless he is part of the lucky 30 percent who are unemployed less than 26 weeks. For those who are out more than 26 weeks, you well know we are paying benefits on less than one percent of those people. And I think now only one state. I think that is a national scandal.

I think that the question of trying to address the social needs and the work needs of the people in this nation has been so badly—I was going to say overlooked, but it is not overlooked. It has simply been so intentionally ignored by this Administration that the situation continues to get worse and worse and worse. And the hopes of people for the future have eroded just as much as yours, Mr. Chairman, and the concerns are just as large.

We think that that traces itself to a whole philosophy of government, a whole theory of what government ought to do for people, and what people do for themselves. And we are now caught up in a distortion of what are we think are sensible concepts of that distribution of authority.

The change will come we believe, Mr. Chairman, when there is a change in the attitudes of an Administration that runs this country, and that change will be propelled by the current 100th Congress by moving the kinds of legislation that you are addressing here today.

Chairman HAWKINS. Thank you. And thank you for your recommendations. We certainly will give them the most serious consideration. I think this committee will do the best possible job of seeing that both bills get out of this committee just as rapidly as possible. The comments on the Administration's recommendation will be noted.

Mr. DONAHUE. Thank you, Mr. Chairman.

Chairman HAWKINS. And thanks to Mr. Roberts and Mr. McGlotten also, the other witnesses at the table.

Mr. Sam Camens, I understand, is appearing as the next witness. Mr. Camens, Assistant to the President, United Steelworkers of America. And would you identify your colleague who is seated with you?

Mr. CAMENS. Mr. Chairman, seated here is Jack Sheehan, who is our Legislative Director.

STATEMENT OF SAM CAMENS, ASSISTANT TO THE PRESIDENT, UNITED STEELWORKERS OF AMERICA; ACCOMPANIED BY JACK SHEEHAN, DIRECTOR, LEGISLATIVE AFFAIRS, UNITED STEELWORKERS OF AMERICA

Mr. CAMENS. My purpose this morning in appearing before your committee is to take up rather a very small portion of the discussions that are going on here today, and that is the labor-management's participation teams that exist in some of the steel plants that we have bargaining relations, with some of the large steel companies.

This is rather a new, unique experience where under proper labor relations settings we have gone forward in trying to set up labor—Q.W.L. or worker involvement teams in the plant in order to give workers an opportunity to participate in the work process and become an active participant in what goes on in the work site. And our experience over the last five years—and that is really what we have been dealing with—has shown us that this is one of the great new ways of enhancing competitiveness in the steel industry which is so hampered by the trade situation and probably the greatest economic disaster that exists in any of the industrial sector of our country today.

And we feel that—we would like to relate to you, rather, in a brief way the importance of this experience with our union and the steel companies involved, and the great urgency of understanding of this problem that there be a great effort on the part of your committee to make funds available to enhance this process and to encourage it to go on.

What we are trying to do really is change the cultural relationship in the plants, work relationships, not to change the bargaining relationship. That goes on as it existed before. To change from an autocratic worker-controlled work process to an open participation process where workers are permitted to use their knowledge, their experience, their intuition, their wants, their desires, their great feeling of wanting to be part of the work process and make decisions in those areas that they have the greatest knowledge over. And that is what has taken place.

The work teams that are developed in the labor-management participation team process are really a transition for workers to begin to feel that they have a right in a democratic, industrial process to become involved and to begin to participate in making decisions over those things that they can enhance the very production process itself by improving quality and production, which is going on today in these plants.

We no longer have the luxury of having industrial plant sites where workers are completely controlled, where they are told what to do, when to do it, how to do it, and how much they can do without ever being able to use their own understandings and experience to make decisions that they are far better informed and understand than the people that are supervising them.

It opens up a whole new work place not only in the sense of improvement of quality and production, but a whole new work place of improvement of working conditions and environment that workers can make suggestions on that is beneficial both to them and management. And it opens up a whole new work environment that makes work somewhat of a challenger instead of a drudgery as it is now, coming to work and feeling the same old thing over again that I am going to a place that I am going to be completely under control and to hate the very work process itself, to change it into a process that we are now being told by workers that for the first time in their lives after working in plants for 30 and 40 years, they are looking forward to coming to work and enjoy it because they feel they are part of the work process.

It is not only in the old plants, but also it is so important where we are getting in some plants new high technology that we create the proper social-technical work teams that can adapt themselves to the new technology and not be completely controlled by old traditional ways of working, but be creating new ways of working to meet the new hi-tech situations that are developing in whole new ways of managing themselves as they understand it and having input into the work process and changing the very work relationship between themselves and among themselves in a kind of a self-governing situation that they make decisions and change the very way that they ought to schedule themselves in the work process and to enhance the whole work process itself.

We had—what is so important here is, though, that there is great need of understanding of this process. There is great need of not only understanding, but there is great need of an educational process that must go on to teach a technical staff of both management and union people to begin to understand that the old traditional ways of doing things in the past no longer suffice. And there is great need for change in going on.

We had just one experience lately I want to relate as one of the last things. In November and December of last year, '86, we had some fundings from the Labor Department to the United Steelworkers of America. We put together a two week intensive training at our educational center, both for management and for our staff, in which we brought in consultants that are more knowledgeable in this process than what we are. And we went through both—it was kind of a tripartite arrangement. The Labor Department was there with some of their consultants. Management was there with very high echelon people involved. Our staff was there. Consultants were there.

And after a two week training, one thing was universally accepted by everybody. This should just be the beginning of the process of training, there is a dire need of funding for these types of things to go on that we begin to understand and develop this and train technical people, both in management and in the union, to be able to carry on this process.

I think this is just one small thing that is so important. If we are going to compete on an international scene in this whole industrial competition that exists today, that if we are going to be competitive, we must be competitive by being able to use our human resources to the greatest advantage and not to the extent that we only use them partially in the old controlled process and give them their head because I am convinced that the American worker beyond all is probably the greatest knowledgeable worker. And if he is given the ability to use his knowledge, he can be as competitive as anybody else if given the technical industrial equipment to work on. And that ought to be the—that we are looking forward in the future, as one small way of entering the great international competition that exists today.

Chairman HAWKINS. Thank you, Mr. Camens.

Mr. CAMENS. We have a statement that we have introduced into the record.

Chairman HAWKINS. Without objection, the statement in its entirety will be entered in the record at this point.

Mr. CAMENS. Which is quite different from what my statement was.

[The prepared statement of Sam Camens follows:]

STATEMENT OF

Sam Camens, Assistant to the President
UNITED STEELWORKERS OF AMERICA

on

ASSESSMENT OF THE LABOR-MANAGEMENT PARTICIPATION TEAMS PROCESS IN THE STEEL INDUSTRY

before

Hearings on Labor-Management Cooperation
Committee on Education and Labor
U.S. House of Representatives

March 12, 1987

A labor-management participation team (LMPT) process was originally begun as a result of the basic steel industry and is part of the 1980 settlement agreement. The process was expanded in subsequent agreements. This expansion has affected growth in numbers of companies and locals who are participating, as well as in the depth and scope of the process. Reflecting the importance of the LMPT process to our union, special conferences have been held to review the labor-management participation team experience. In the summer of 1986, 103 local union participants at one of the conferences included delegates and regional directors and other leaders of the union.

I testified to Congress on April 23, 1982 as to the initial efforts in the labor-management participation team process, the early experiences and, specifically, the experiences of the first two years. From the very beginning, it was clear that workers were interested in joining LMPT shop floor teams. They had the capability of solving real problems, wanted the opportunity to do this, and many significant problems were solved with great savings for the various companies. We quickly learned that it is easier to start a process at a particular mill and local than it is to institutionalize and maintain the process. With the assistance of well-qualified third party consultants, the companies and the union have continued to evaluate the process and to introduce innovations that would resolve problems that surfaced.

Organization

Initially, the LMPTs in a particular mill were organized at two levels. A senior labor-management steering committee was formed that would provide a charter for the joint effort, select facilitators, and proceed to recruit workers and supervisors, forming them into LMPT shop floor teams. The concentration was on the activity of the shop floor team, and the primary purpose of the steering committee was to provide support and administer the process. This method of organization generally had the support of the officers of the local and senior managers, as well as large numbers of shop floor workers and supervisors who volunteered. The process was often resisted by middle management, general supervisors and superintendents; and department-level union leadership, like committeemen and stewards, who felt that they had been excluded from the process.

A company which was an initial innovator in the organizational redesign was the Acme Steel Company (formerly Interlake Iron and Steel Company). In September, 1982, it negotiated a three-year contract with Local Union 1053. A commitment to an LMPT system was part of the negotiated contract.

Brian Marsden, President of the company, and union representatives reported on the process in corporate communications to stockholders at the end of 1984. Brian Marsden stated:

> "The consultants came in with a 3-tiered organization structure: a Policy Committee (at the plant level), the Advisory Committees (at the department or division levels), and the actual Team Committees out in the plant. Each of these three levels is a working group that attacks problems. . . . it really involves all employees. It ensures a good flow of information up and down the stream."

Mr. Marsden further indicated that he was impressed by two factors.

> "One is the speed with which the LMP Teams have expanded. We started with three divisions, and we've expanded probably about twice as fast as we expected. . . . Secondly, I'm impressed by the projects that have been chosen . . . the teams have really addressed some longstanding problems in the plant."

George Chandler, President of the local union, further explains the system:

> "The Policy Committee is made up of key union and management people whose basic responsibility is to create the proper environment for the process; to help it grow and monitor the progress. We establish Divisional Advisory Committees which not only administer and support the teams, but also solve problems themselves. That's one of the unique features of the structure. All of these groups are problem-solving groups, not just administrative bodies, and they consist of both hourly and salaried people. . . . We also have four Coordinator/Trainers who underwent the three-week course in New Jersey. They both trained the teams and helped them after the initial training

> period. Without the Coordinator/Trainers, I don't think we'd be where we're at now."

Don Pearson, Vice President of the local union, was quoted as saying:

> "I don't think that people ever thought about the millions of dollars involved in quality problems. I know I didn't. I just did my job. Now I hear people who have just finished their training say they never knew quality was so important. . . . I think the shop floor teams get turned on when they ask for information from management people and get it. Teams have the right to ask any questions in any area they're working on. That really excites people."

Lynn Williams, President of the United Steelworkers of America, took note of this development in the organization of LMPT in his remarks to the Industrial Relations Research Association in December, 1985:

> "I am firmly convinced workplace democracy is a win-win matter. There is every reason to expect the acceleration and expansion of worker participation programs through collective bargaining in years to come."

> "So far we've considered worker participation primarily at the lowest or shop floor levels. We need to be more daring. Bargaining unit employees have talents and ideas to contribute at middle-management levels as well. That fact is surfacing now in some of our programs. In others, an entire layer of supervision is being eliminated as unnecessary. At the same time, employees ought to have more of a say in decisions which affect their long-term employment security. Accordingly, my sense is that the workers input will, in time, be welcomed at middle-management levels to the mutual advantage of both parties to the relationship."

Subsequently, contracts were negotiated with Wheeling Pitt, National Steel, and other corporations where participation of labor and management in committees at all levels of the organization were planned for and specified in the contract. A specific commitment to employment security was also provided. A number of companies have now embarked on this multi-tier system with a thrust to integrate the LMPT process and the quality function, as well as planning alternatives to layoffs. The expansion of the process and the inclusion of all levels of the organization carries with it a serious responsibility to the union. How do you prepare the union leadership to participate effectively in planning and identifying strategic needs, in organizing a process of problem-solving at all levels of the organization? The resources that the union has to provide these skills are severely limited, but the need to provide this capability within the union ranks is critical, and we are now organizing to provide these skills.

USWA/Steel Industry Labor-Management Participation Team Advanced Training

During the months of November and December, 1986, a two-week training program was conducted by a USWA/Steel Industry LMPT Training Committee. The management participants represented National Steel, Bethlehem Steel, LTV, and Continental Can. This joint committee, operated under the 1983 recommendation of the Steel Advisory Committee, a corporate forum established by President Reagan:

> "Information about the endorsement of LMPT should be diffused widely through the collective bargaining process. The Department of Labor and other appropriate organizations hould encourage their extension throughout the entire domestic steel industry. The Department in particular can make important contributions in support of the parties' joint efforts."

From the Department of Labor, Bureau of Labor-Management Relations and Cooperative Affairs, the joint committee requested and received support to conduct this initial training program. Attending the course were 18 international staff members of the United Steelworkers of America, and a like number of management representatives from eight companies in the steel industry. The two-week conference had the following objectives:

1. Provide an overview of the current economic status of the steel industry and its position in the world market.
2. Identify the characteristics, both economic and social, that might permit an enterprise to prosper in a changing environment.
3. Provide analytical and planning skills to evaluate a company's present position.
4. Identify the next steps and make specific plans on reaching their objectives.

The sessions were separated by a 3-week interval to provide time for research in their own organizations and a factual basis for duscussion in the final week. Speakers associated with the industry, as well as consultants, gave an overview of the current situation. The overall responsibility for the conference design and training was under the direction of Sid Rubinstein, the third party consultant from Participative Systems, Inc., who served as Training Manager.

Topics included were:

- Implementing and expanding LMPT problem-solving at all levels; corporate/international union: local union/plant, department, and shop floor.
- Joint planning of alternatives to short-term layoffs. The goal of establishing alternatives to layoffs should be a way of doing business which benefits and makes sense to all parties.
- Development of the LMPT process to achieve labor and management's strategic objectives; quality, market share, product redesign, return on investment, and response to international competition.
- Strategies to assist LMPT process in changing organizational structures, relationships, and the ability to achieve joint goals.
- How to utilize specialist skills (quality control, engineering, etc.) while eliminating the inefficiencies of the current specialist functions.
- The creation of the Labor-Management Quality System which integrates the technical and the social needs of the organization.
- The development of the 3-tier labor-management planning and problem-solving process and how to assign the appropriate problems to each tier in an integrated and coordinated fashion.
- Organizational barriers which inhibit the effective use of resources.
- Sustaining system when influencial third part, union, or management leadership change or leave.

- How to serve in the dual role of representing your institution in adversarial activities as well as joint consultative activities. Issues faced by labor as well as management in this regard were reviewed.

Cole Tremain, Vice President, LTV Steel Company, pointed out that the organization of work that still prevails in much of American industry did not come out of thin air, but resulted from a conscious design. Foremost among the designers was Taylor with his "scientific management," conceived as a total system to meet the needs of industry at the turn of the century. The conditions existing then, and the social values supporting his philosophy, are no longer recognizable. But, we are left with the vestiges of his structural framework: the complexity of job classifications and pay scales, the emphasis on specialization in staff functions the hierarchical chain of command modeled on the military.

Whatever modifications have taken place to meet changing conditions do not disguise or challenge the basic assumptions. This is often reflected in the lack of real understanding by top management, which is prepared to accept a parallel system based on comfortable and acceptable notions ("workers have smarts," "we have more in common than we have in conflict," etc.), but which do not threaten the existing order.

The changes that we see affect the relationship between labor and management. It is not likely that the response to change can be managed without full cooperation, a partnership or labor and management, where both risks and rewards are shared. LMPT is the beginning, not the end, of building a partnership.

If we are not to be overrun by events, problems must be solved on a continuous basis in an LMPT-like mode, not seen as trade-offs to be batch processed in 2- or 3-year cycles.

This approach requires staff adjustment so that service to the LMPT process is not conceived as a separate function. There are three parallel tracks in which staff representatives perceive their roles: collective bargaining, the grievance procedure, and LMPT. The representatives may, therefore, act according to each function, but separately and not in a coordinated way.

However, if the need is not for a "program" that smooths over conflict, but for the "total cultural change," there are no elements of the existing industrial culture safe from scrutiny and challenge.

There are difficulties in bringing about the kind of changes that have been described. It is not a question of taming the lion to lie down with the lamb--unions must drop past baggage and face up to changes needed in their own institution. This is not easy to do when the legitimacy of trade unions as an essential part of political democracy is not widely accepted. The Steelworkers are prepared--and have demonstrated good faith--in moving forward in a joint and equal process with individual companies. But the structure that provides strength in confrontation cannot be relinquished unilaterally.

LMPT is an appeal to reason and to our better nature. It doesn't carry the persuasive force of slogans and militant confrontation. And the temper of the times brings daily crises that distract from the continuity of the LMPT effort. Nevertheless, this is the direction the union will follow to secure the future. It will not be "mandated." Membership must be convinced from their own experiences if this is to become a part of the union culture, and under no circumstances become a devisive ideology. Accordingly, the international union has not set up a "specialist" department to introduce LMPT. The focus instead will be to train the whole staff to give leadership to the process.

There is concern among some members that any cooperation with management will be taken advantage of, and lead to a union of "wimps." LMPT is a very real threat to those who see labor-management relations in terms of "class warfare." The need, only poorly met at present, is for extended education and communication to create the understanding, not a dogma that sets up a polarity between new and old, strength and weakness.

At the last USWA/steel industry LMPT conference of the union leadership, and representatives fromn the industry, there was created a unified perspective for developing an LMPT process for the industry as a whole. Its significance was illustrated by a statement in the assessment prepared by a management representative from Copperweld.

> "Finally and most importantly, the whole concept of the International Union's willingness to host such a conference should signal the official beginning of a new era in Industrial America.
>
> "God help us if we fail to utilize this opportunity, for it will not come again."

A further insight on the conference is reflected in the comment by a USWA staff representative:

> "It provided the next step in the labor-management process. I found it very helpful to the LTV Steel Group."

A management representative from National Steel captured a critical focus:

> "The development of quality control in the workplace through LMPT is exactly where I feel we need to be going. You have laid out a generic road map which is very helpful."

A USWA staff representative reflected on the change in his role:

> "I now have the self-confidence to actively push the LMPT concept. I didn't have that confidence before.
>
> "I have changed my mind on what my role as a staff representative should be. Up to now I looked on my role as being a resource person and an encouragement to the local union in getting LMPT started and then getting out after it was started. I now can see that the continuing involvement of the staff is one of the important factors that will keep the program from folding under adverse local union politics.
>
> "I can also see a poor plan is worse than none at all, so we have to insist as a staff representative that any plan put in is done step-by-step and not haphazard."

The impact of the conference is also reflected in follow-up activity by the USWA/steel industry planning committee. They are now planning to hold this conference again, inviting companies who were not able to attend the first time, as well as other union leaders and managers representing the companies who already attended. The continued training of the international staff will be a focus of the next conference as well. This follow-up activity is being organized with difficulty because the Department of Labor does not have the budget for continued support of this effort.

Last year, this committee, in reporting the Education and Training for American Competitiveness Act (HR 4728), emphasized the need for "a greater cooperation between management and labor and a more efficient and productive utilization of human resources." We particularly note the reference in the committee report:

> "It is the intent of the committee that the Secretary /of labor/, in evaluating whether to award grants, give special consideration to the degree of labor-management cooperation that exists at the company requesting the grant and to the likelihood that an award of the grant will promote cooperation between labor and management and enhance the ability of workers to influence events affecting their circumstances."

This is an admonition which USWA fully endorses because we are convinced that workers who "influence events affecting their circumstances," are also productive workers. We would note, therefore, that the training contemplated by this section pertains to interrelation techniques especially as they relate to production-oriented decisionmaking on a shared or joint basis. There is a need for support to those parties who are attempting to expand this new wave of labor-management relationship.

The Challenge

If the rate of change continues to accelerate and the direction is obscure with sudden turns and reversals that make accurate forecasting unreasonable, a critical factor will be how well we are positioned for rapid responses. Communication that instills a sense of purpose and unity to insure compliance must replace a directive system that relies on obedience alone. Responses will be neither rapid nor effective in an environment that divides "them" and "us."

In Lynn Williams' contribution to the recently published book, *Participative Systems at Work: Creating Quality and Employment Security*, our central view was well presented.

> "The talents of the workers are America's single greatest unused resource. In the work force, we have people of intelligence and creativity who have a great desire to do things. In large measure, they have been shut out of the system, unable to use their talents or work to their full potential.
>
> "The authoritarian structure we have built in the industrial, enteprising part of our society, and also throughout our society, is in contradiction. Although we preach democratic values and educate our children to be critical in their judgments, to be well-informed, and to exercise their initiative, we then usher them into a society which traditionally, in almost all of its institutions, is authoritarian. It is a 'top down' society--a fundamental contradiction of the philosophy we espouse about our government and society in general.
>
> "The basic contradiction between the authoritarian ideas, which run much of our society, and the democracy we preach, is in many ways exemplified in the traditional struggle between corporations and business which seek to prevent the labor movement from pursuing its goals of greater worker involvement; that is, the opportunity to express their concerns and needs.
>
> "The entire authoritarian aspect and where it originated, like everything else in life, has its pluses and minuses. Authoritarianism is positive in the sense that it has produced our dynamic society: the whole principle of entrepreneurship --the American idea that we can all do anything; potentially, we can all own our own businesses. We can all use as much energy, dynamism and creativity as we can muster. This leads to the concept that I can do exactly as I see fit. This

> is one of the elements that has led to extreme authoritarianism. This philosophy might be appropriate at a mom and pop store, but not in enormous corporate structures. But authoritative rule in modern corporations is a myth for no one in the corporation is an owner. Everybody involved in running General Motors or USX is an employee of the company. Yet, these myths persist.
>
> "The positive aspect of that entrepreneurial, dynamic ideal has contributed enormously to the material success of our society. The challenge is how we can unleash that entrepreneurial energy and tradition from the authoritarian mold. How we can weld it to the democratic principles of our society and, thereby, find a new dynamism that is relevant to the real world in which we live, a world of large corporations and large structures?"

By combining union participation in decisionmaking at all levels of the corporation with the "entrepreneurial urge," unions and corporations could inject a new dynamism and new creativity into our whole society.

Chairman **Hawkins**. I thought your statement was a very good one.

I agree with what you have said. I would only suggest that I think this idea works only if there is felt to be a two-way street. I quite agree with the wage earners' view of it, as you presented it. I think, however, the reality is that management is not going to give up any prerogatives until they see that they also benefit.

Management must in some way accept the idea on the basis that productivity will be improved, that the total sales of the entity will be increased through such cooperation and better quality products will be produced so that both will see and both will understand and appreciate the position of the other and not be antagonists. They should work in a cooperative atmosphere in which management will be as enthused about it as the wager earners.

Mr. **Camens**. I think one thing that clearly should be understood that management, knowledgeable management, in the large industrial plants are probably more enthusiastic about this than many union people that are involved. The drive is coming from management in many cases to do this, and not just from the union.

There are some union people that still feel that traditionally that it is somewhat not the union's place to get involved in production and quality problems. We feel quite different. We feel that workers have a right to get involved, and in fact, that the only way that their union can conduct itself and can raise the standard of living of our employees, that there is a viable industry for which they are working and that there are joint needs and joint efforts that are mutually a benefit to both of us. And it is not just a union initiative in this sense. I think in many cases it is a mutual initiative, both union and companies. And in many cases, I must admit, is the company that is coming to the union trying to get quality of work life teams developed or worker involvement or what we call LMPT, the labor-management participation teams.

My whole point is that there is a need for education on both parties, on both sides, to understand the great need of cultural change in the work place in America in order to make a change from the old autocratic, tailored, scientific management system to the new participative management systems that are so important in a competitive world.

Chairman **Hawkins**. Thank you.

The committee would benefit if you can give us some specific examples of where the idea has functioned as well as you say that it has. I do not doubt that is true, but we need some specific examples as we mark up this bill and address the problem of labor-management. I think it would be helpful for us to have specific and exemplary programs to serve as models for this part of the bill. That I think would be very helpful. Jack Sheehan is always around here, and perhaps through him you can convey to our staff some of those exemplary programs.

Mr. **Camens**. We can submit a written list of those, both bad economic situations that kind of forced us into this, and also some very new plants with hi-tech involved. Could I mention one? Or we do not have the time for it?

Chairman **Hawkins**. Yes.

Mr. CAMENS. There is a small electro-galvanizing plant that has just been put in, a joint effort with the Japanese, called LS Electro-Galvanizing in Cleveland. Japanese technology brought to America exactly the same plant as in Japan with complete worker participation, autonomous work teams, complete worker supervision, problem solving in its most extreme form.

I just want to say this, that the Japanese in selling this equipment now do not use the Japanese plant as their model. They use the American plant because this plant has so out-produced and with higher quality than the Japanese model, which is identical technology in this plant, all because of the suggestions and input of American workers, of understanding equipment far better than the Japanese, being able to make suggestions immediately in this plant, and being able to cut delay time, which is the main thing you can cut, because the technology is computer controlled, that they now—they wonder and they cannot believe to see what is happening here compared to their Japanese model, and finding that the American plant completely out-produces the Japanese plant.

Chairman HAWKINS. Thank you.

Mr. Petri.

Mr. PETRI. Thank you very much, Mr. Chairman. First of all, I just want to commend you for your testimony and tell you how important I think this sort of reaching out or efforts to try to get greater participation in the work place on the part of both unions and management is for us to be competitive.

I was at a conference with a Japanese businessman some time back, and he said, "You know, when we compete with the Americans, in the American company we are competing usually with five or ten brains, and we have 5,000 or 10,000 brains on our side." And he said, "I do not care how smart those five or ten brains are. If you have every brain of every person who is involved in the company working to compete, we are going to overwhelm you with numbers." And I think that is true.

One example in my area was brought to my attention by the International Association of Machinists which represents the employees at the Mercury Outboard Motor Division of Brunswick. They could see the handwriting on the wall a few years ago because the motor cycle business was taken over by the Japanese. The automobile business was under a great deal of pressure. And so, after a great deal of reflection and thinking, they redid their whole operation from top to bottom to become competitive. And that meant not lower hourly wage rates. That meant lower fixed costs. They had to eliminate a lot of white collar people, change their supplier relationships, and change the way they manufactured, so that instead of doing it on a batch basis, they manufactured everything continuously.

They discovered Toyota turned its inventory over 100 times a year. And they were turning their inventory over three times a year. And with those huge fixed costs in storage and so on, they could not really compete. They are up to 20 times a year inventory turnover now, and they are hoping to go further.

I have a question or two. Are there any changes that you could think of in the federal law in the labor-management area that would help this process of greater cooperation on quality and competitiveness in the work place go forward? Or do you think it is just a matter of mental attitudes on everyone's part?

Mr. **Camens**. I think it is a matter of breaking old traditional thinking. That is the problem because the old method of industrial—the old industrial production methods and management styles lend itself to what is happening in the plant, breaking every job down to its smallest component part, being repetitive, having a supervisor standing over your back and make sure you do only that, that small job. And the whole thing lent itself to a frustration and an alienation in the plant that is unbelievable, and you have to understand. And it lent itself to a whole adversary relationship of always fighting about everything because you are not involved.

And that all has got to change. And what has got to change—it is really for everybody to understand it. It is a cultural change. It is how you interreact between workers and supervisors. How do you interact and how do you really develop a production system. And that is what is so tough about it because every time a crisis develops—and we have that problem—everybody relates back to the way you always did things, and the old way he fought with each other instead of trying to problem-solve his way through and find out what are the reasons for it.

And that is one of our great difficulties. And particularly on the production line, it is the worst thing in the world to work in a production plant and to know when a supervisor tells you to do something and you know it is wrong, and you do it knowing that it is going to be wrong and it means thousands of millions of dollars worth of bad quality. And that goes on continuously in plants.

Mr. **Petri**. The union people at Mercury told me that when the new manager came in—the plant manager—he went around and told everyone if they had a problem with a foreman, that they should call him even at home at night, any time, and if they were right, it would be taken care of immediately. If it turned out the foreman was right, well, they would have to toe the line—but basically he sent a message to everyone in the organization that they had to stop trying to intimidate people and work together.

Mr. **Camens**. And that is what we have got to develop, that kind of an atmosphere of both management and employees in the union willing to sit down and to plan this process. That is the point. You have got to plan it. You have got to develop it. It is not something that is going to take place by accident or somebody decreeing it because you do not break cultural habits that easy.

Mr. **Petri**. Thank you.

Chairman **Hawkins**. Mr. Murphy?

Mr. **Murphy**. Thank you, Mr. Chairman.

Thank you, Mr. Camens and Mr. Sheehan.

Your concept is only about 120 years too late. I think if we had developed America's industrial and labor-management relations for the past 100 years that way, we would not have the problems in industry we do today. I commend you. I think it is farsighted. It is too late, but it is never too late for a good concept. I just hope that some day we can bring about that mental change in our—between management and labor.

Thank you.

Chairman **Hawkins**. Mr. Ballenger?

Mr. BALLENGER. Yes, sir. Mr. Camens, another example I think of what Mr. Petri was talking about is the steel industry located very close to my own home, NewCore, which has joined in with a Japanese organization. They are building a plant down in Birmingham, Alabama. And it operates—I noticed today on TV that the Ford Motor Company had made arrangements evidently some years ago with their employees to take a pay cut and get in on a profit sharing plan, which to some extent I think is the way that NewCore operates.

Have any of these ideas been able to be brought into the discussions that you all are talking about in your union with these plants?

Mr. CAMENS. All kinds of things are taking place to face the great economic problems of the steel industry with our union. We have got profit sharing going on now. We talk about gains sharing for the first time. We talk about changing work assignments that were old practices. And that is going on continuously.

The last negotiations that just took place we—most of those discussions took place about the whole problem of manning and the whole problem of trade and craft arrangements, which are all rearranging the old way we did work. And these are all constantly taking place at the same time.

Plus, great discussion has taken place on the whole problem the LMPT process that we are talking about, which is separate and part of the basic labor negotiations. Our relationship, our bargaining relationship, is still the same. It changes and is affected by our LMPT process which is a separate process, and the same thing—our bargaining relations affects the LMPT process. And that has an interaction I think on our bargaining processes. They work hand in hand. And all these things are taking place at the same time.

I do not think you can recognize a steel plant now back eight years ago. And that is a short period—or five years ago—of the various changes that have taken place both in manning, in management styles, and in wage—type of wage plans that we have, and the whole kind of coordination or cooperation between us of trying to save the steel industry.

On the very top level we have almost like a board in the sense of dealing with the whole trade problem, which is killing us. And I do not want to get involved in that. And that is the CEOs meet with our top labor—our top officials on what we call the Steel Crisis Committee. And that came out of bargaining, as part of the bargaining process. So, all these things are being involved.

Mr. BALLENGER. Well, I would just like to thank you for your coming, and to say, as was previously stated, it is too bad we could not have done something like this 30 or 40 years ago. But I am afraid it takes a disaster to change the way we do things in this country.

Thank you very much, sir.

Chairman HAWKINS. Mr. Kildee?

Mr. KILDEE. I have no questions.

Chairman HAWKINS. Mr. Owens I think is next in seniority.

Mr. OWENS. No questions, Mr. Chairman.

Chairman HAWKINS. Mr. Hayes?

Mr. **Hayes**. I do not have any questions. Thank you, Mr. Chairman. I am just bothered by what happens to those workers when you retrain them. The question of placement, where do they go? I think there is a shortcoming. There is a big gap there.

Mr. **Camens**. Really, I was talking about those people that are employed. The other problem is the great problem we have because we have plant shutdowns, department shutdowns, and there is a whole problem of retraining which is an entirely different subject. I am talking about the process of training in the plant for the active workers.

And along with this, by the way—and I did not touch upon that—is the great necessity of training in the plants that has been so neglected by the steel industry in the past. An American steel worker—if you wanted a job, you came in the plant and were told to buy a pair a shoes. And if you couldn't work on the job, you just weren't there the next day. It was all self-training. There never was any training. And everybody is beginning to understand at last, particularly if they visit Japan, is that there is a great need to train people in the very technical and theoretical understanding of the steel process itself if they want the best workers. And that has finally taken place in the steel industry with some great insistence. And for the first time within the plant, if we put on a new caster for the first time, they are employed on that process three to six months in advance before the process ever begins to operate, and beginning to learn that you must in advance have the proper training for this type of new high technology, which by the way, costs a half a billion dollars to put in.

And if you are going to have the human resources capable of handling it to its greatest efficiency. And all of these things go together in one understanding of the necessity of training and also changing the way we work in the plant itself.

Mr. **Sheehan**. Mr. Chairman, may I add just one small comment to that? I am glad you brought up the subject matter. There is a rather unique difference between the two bills that are before you, H.R. 90 and H.R. 1122. H.R. 1122 is handling the adverse consequences of the global market for us in steel. Mr. Hayes, you are very well aware of problem in trying to relate to that. The adverse consequences of global competition on the steel industry and the steelworkers is enormous. Now, we have displaced workers. And they have been around a long time.

But H.R. 1190, Mr. Chairman, relates also to the global impact of competition on the steel industry and other industrial sectors for the companies that remain in existence, for the workers that remain active employees. We have to be aware that global competition is one in which people are going to have to fight it, and people are going to be hurt by it. And we have got to do two things at the same time.

And I think, Mr. Chairman, one of the big things on this bill, H.R. 90, is saying, look, we can enter that global competition. We can prepare for it. Some of the things that are in your bill go beyond what we were talking about. We were talking about a rather unique experience where management and labor on the production floor can work together. But we cannot ignore the very heavy impact that that competition is having on the active employees. It is very intense also.

Chairman HAWKINS. Thank you.

Mr. Hayes?

Mr. HAYES. No questions, Mr. Chairman.

Chairman HAWKINS. Mr. Sawyer?

Mr. SAWYER. Just a brief comment, Mr. Chairman.

The point that Mr. Camens made about the importance of regarding this as a process is perhaps something that all of us ought to continue to struggle to remember and live with. The work that we do to enact the framework for that process is important. But unless there is a willing participation in that process, it just simply cannot work. It is great to hear you talk in those terms.

The second—and it is the point that was just raised is the importance of viewing the work place itself as a productive test bed of worker retraining. The human capital investment is equally important as equipment investment, that is investment in new plant and productive capacity. One without the other just does not make any sense.

Thank you.

Chairman HAWKINS. Mr. Visclosky?

Mr. VISCLOSKY. Mr. Chairman, I do not have any questions. But I would want to congratulate Mr. Camens. I represent the first district in Indiana, and we have a large number of steel facilities and workers.

And while the primary responsibility that we have in the government is to insure that those who have lost their employment are provided with a second chance in life, I think it is especially important that we do not lose sight of the fact that for those who continue to work in those facilities, they have a fuller life. They are made more powerful in their work place and their life is made more interesting, and thereby I think their company more profitable.

And I want to congratulate you, and the steelworkers as well, on your program. I am very satisfied with that.

Mr. CAMENS. As long as you mentioned Indiana, let me say one of our real prides in this whole process is the midwest plant of National Steel that has done one great job and should be congratulated. And that plant is one of the best plants that National Steel has.

Mr. VISCLOSKY. Right. That is in our district.

Mr. CAMENS. Yes.

Mr. VISCLOSKY. And I sat in on their council meeting, and have toured the facility on a number of occasions. And I believe in that instance both management and labor feel that it has been to both of their benefits and to the industry's benefit.

Thank you, Mr. Chairman.

Chairman HAWKINS. Thank you, Mr. Camens. We certainly appreciate your testimony, and you too, Mr. Sheehan, for your contribution.

The next panel will consist of a panel from the great city of Flint, Michigan. For that purpose, I yield to our distinguished colleague from the great city of Flint, Michigan, to introduce the panel and have them seated at the witness table.

Mr. KILDEE. Thank you, Mr. Chairman, very much. I am pleased to have two constituents from Flint, Michigan, who are real practitioners in training and retraining auto workers at the Buick City assembly plant at Buick-Oldsmobile-Cadillac group of General Motors Corporation.

Chuck Stevens, Skilled Trades Training Coordinator of the UAW, Local 599, the local to which my father belonged for many, many years, and Jerry Schmidt, Training Manager, Buick City Assembly, General Motors Corporation, have the experience of training the work force at Buick City for competitive technologies. In this effort they work with our local community educational resources to retrain their work force.

I feel that they have a real wealth of experience in labor-management cooperation, and also with the challenges of working with the educational community, Mr. Chairman, in business and labor retraining efforts. I look forward to their comments here today as they discuss their experiences and make recommendations for improvements in our legislative work in this area. And I welcome them this morning.

Chairman HAWKINS. The Chair would certainly like to welcome you, Mr. Schmidt, and you, Mr. Stevens. Obviously your Representative is the one who initiated this panel, and we are very pleased to respond to his request. I can assure you that Flint, Michigan is seldom overlooked in this committee. We are very, very pleased to have both of you testify this morning.

STATEMENT OF CHARLES STEVENS, SKILLED TRADES TRAINING COORDINATOR, THE UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, LOCAL 599, ACCOMPANIED BY JERRY SCHMIDT, TRAINING MANAGER, THE UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, LOCAL 599

Mr. STEVENS. Mr. Chairman, members of the committee and honored guests, I am Chuck Stevens, Skilled Trades Training Coordinator for Buick City representing UAW, Local 599. And this is Jerry Schmidt, Training Manager for the Buick City, representing the Buick-Oldsmobile-Cadillac group of General Motors.

We wish to present jointly our efforts in the Buick City project. We are pleased to have this opportunity to share the Buick City start-up training experience with you. We believe that the partnership, which grew from the school systems in the Flint area, General Motors Corporation and the UAW, is unique and will continue to have value to our community.

1983 was a year when powerful forces were at work in the community, forces dealing with employment, the general economy, and for the Buick Assembly Plant, a threat to existence. The Buick Assembly Plant in Flint, Michigan was in August of 1983 scheduled to close after 75 years of production. In 1976 the assembly plant was on a list of plants destined to be closed unless cost went down, quality and production improved and sales increased.

Changes were imperative. A new plan was needed to keep the doors open, the people at work, and the economic future of the community secure. Buick management had submitted several proposals to the corporation officials to keep Buick operations in business. For eight months this task force worked on t he plan it would submit to the plant manager who was able to convince the corporation that Flint was the place to locate the front wheel drive LeSabre production facility.

With the approval of the plan came the unofficial name, Buick City. This tag evolved when Lloyd Reuss, Executive Vice President of General Motors, compared the new proposed facility to Toyota City during his presentation of the plan to General Motors.

What was the plan? It was a design that called for the transformation of manufacturing plants more than a half century old into a modern assembly center on par with any in the world and the equal of the corporations own newly built production systems. It would radically alter or replace prevailing manufacturing concepts with a new cost efficient, computer controls. It would provide a new operating philosophy for members, and as a means by which they could grow with these new concepts. The bottom line of Buick City's carefully conceived master plan was to produce vehicles the equal of any in the world.

The proposal was accepted by the General Motors Corporation in January of '83. And integral part of this proposal was employee involvement.

What factors led to the Buick City locating in Flint? This question was asked of union and management leaders at the Buick City, and the unanimous response was that the proposal was different. It was innovative to the point that the corporation had to take a second look. And most importantly, it was developed by a joint effort of union and management. It also had evidence of good, advanced ideas for implementation.

The study team's task was finished once the proposal was accepted by the corporation. The next step was to develop a new team, one that could continue where the study team left off. This was the design team which began functioning in February of 1983. Lee Furse, our plant manager, also hand-picked this group which was originally composed of ten managers and five union members.

The design team was given the responsibility of planning, directing and overseeing the work of creating the facility, developing the time lines, investigating the suppliers and training the work force, both hourly and salaried. They traveled worldwide to many facilities where they investigated modern and highly technical systems.

A highly trained work force would be an integral part of this plan. A comprehensive training program was initiated by Buick Motor Company and the UAW, Local 599, with an educational consortium consisting of Genesee Intermediate Schools, Mott Adult High School and Mott Community College. These five agencies form a partnership known as the Buick City Training Consortium.

An application for "Quick Start" funds from the state Department of Education was approved and the assessment an instructional program began 21 months before the start of production. A total of 1,068 Buick City workers received training during the next 29 months before this phase of training ended in April of 1986.

Training expanded beyond the consortium training to training companies, vendor companies, other educational institutions, and eventually to our Buick City Training Center itself.

Buick City has a work force of approximately 4,500 hourly employees and 310 salaried workers. Buick City is the only facility to have a continuing stamping that is fully integrated with assembly, and it encompasses 1,800,000 square feet with 15.2 miles of conveyors. There are 223 robots in the plant and 150 automatic guided vehicles with 55 automatic vehicle identification systems to track the vehicle being assembled. We now have 22 dock locations around the perimeter of the plant for "just in time" material deliveries with CRTs to record materials received.

Six objectives were outline in the Quik Start grant request for the training to be delivered by the educational consortium. The six objectives are to identify, recruit, assess, counsel persons to be trained; to define specific training requirements for new jobs which would result from retooling or technological impact; to provide basic, reading, math skills training; to provide elementary vocational and technical skills training;, to provide advanced technical skills training; to provide training in facilitation skills.

Lee Furse, our plant manager, planned a breakfast meeting on September 2 of 1983 with representatives of the UAW, Local 599, Buick City management and the local educational institutions. The educators invited included Dr. David Spathelf, Superintendent of Genesee Intermediate School District; Dr. Joseph Pollack, Superintendent of the Flint Community Schools; and Dr. Robert Rue, who was the President of the Mott Community College at the time. The following letter inviting these participants further explains the goals and requests presented to the educational institutions.

A consortium was formed. A subsequent meeting was held September 6 and the application for Quik Start funds was submitted to the Michigan Department of Education September 21, and it was accepted October 12 of 1983.

At a press conference held at Buick City on October 13, of 1983, Governor Blanchard and Dr. Runkel, State Superintendent of Public Instruction, awarded the grant of $242,404 to the local educational consortium and explained that Buick would provide the supplemental funds of $951,401 to the project. They also hailed the business-labor-education effort as Michigan's first of such ventures.

The members of the educational consortium would provide services as follows to meet the six objectives: Buick City and Local 599—needs analysis, identify those to be trained, schedule and monitor results; the Genesee Intermediate Schools, our fiscal agent—they did assessment and Counseling; the Mott Adult high schools—basic skills and mid-tech training; Mott Community College—advanced technical skills training and facilitation skills; University of Michigan—advanced facilitation skills.

There were 1,650 workers at Buick City assessed in reading and math skills. All workers selected for training were assessed, although all those assessed did not go to training. The California Achievement Test was the assessment tool.

Selection, recruitment, assessment and counseling were begun in October of 1983, two months before they actual training began. At the time of the assessment, a short orientation to training was given. The educational institutions, as well as the UAW and Buick City management, were represented. This proved valuable since some of the questions concerning training could be addressed.

Workers were notified by letter as to when and where they could report for training. On the student's first day of school the orientation process continued. Representatives from the UAW and management spoke to the class about work policies, and the school personnel provided information about school policies and schedules, curriculum and staff. Provisions were made to address concerns of the students while off-site at school.

The students often had serious personal concerns. Many had very real fears about returning to the classroom, and family adjustments often had to be made to compensate for the change within the student's work life.

Scheduling was a cooperative activity of all the consortium members. The schools needed to be aware of the production priorities at Buick City and needed to be sympathetic to the time constraints of the other educational institutions.

Orientation to training, grading procedures, attendance, student recognition and awards were addressed by the training committee and the training consortium, and policies and procedures were adopted. Certificates were given to the training participants at the conclusion of each segment of the training sequence. These awards were usually presented at an award ceremony in which the students, members of management, members of the UAW and representatives from the participating schools took part. Class sizes varied from 15 to 25 students with most groups not exceeding 20.

The number of people trained exceeded the goal set initially in the program. The original grant projected that 630 employees would be assessed and at least 600 would be trained: 285 in skilled trades and 315 in production. The actual numbers were 1,636 assessed, 378 trades trained and 691 production trained.

All students in the Buick City consortium training program began their programs in basic skills training at Mott Adult High School for a minimum of 120 hours and consisted of math, reading, writing skills, keyboarding and computer awareness. The intent of this component of the training was to review and reinforce skills already learned, as well as to help the student acquire new skills.

Mid-technical curriculum was also administered by the Flint Community Schools. Much of the work in the mid-tech was curriculum theory or, when possible, simulated. Instructional materials included electrical diagnostic tools, elemental electrical lab equipment, blueprint drawing tools, a programmable welders, a hydraulic trainer and computer software for simulated practices. The mid-tech curriculum for the production groups varied according to the needs of the department.

U.A.W. and management personnel were also asked the question: Was the mid-tech portion of the training a strength or weakness to the program? Of those who responded, 78 percent rated it as a strength and 22 percent as a weakness with no specific department or area responding unanimously one way or the other.

Each student was requested upon completion of the Mott Adult High School portion of their training to respond to an evaluation of the basic and mid-tech training. The results of these evaluations influenced curriculum and procedural considerations and were often the cause for alterations or reinforcements in the program. Many of the skilled trades students were assessed by the GM test battery for skilled trades.

Mott Community College primarily served the skilled trades groups, but also provided technical training to some of the production areas.

As in the basic and mid-tech programs, the educational institutions, in this case Mott Community College, provided instructional materials purchased with grant funds, and Buick City supplied equipment and components.

The hi-tech training for skilled trades was in two general areas: electronics and hydraulics/pneumatics. Electricians took the 16 week, which was 640 hours, electronics course, and the mechanical trade students attended 8 weeks for 320 hours hydraulics and pneumatics course.

A sample of students was post-tested with a GM battery test for skilled trades and exceeded the Buick City expectations. The following are some of the numerical results.

On the first day at school each group was given a test in pneumatics inventory. The benchmark looked at was 48 points. The electrical trades pretested at 44 points, and about 65 percent way through the program, they post-tested at 53. The mechanical trades pretested at 31 points and post-tested out at 63 points.

The hydraulics inventory benchmark was 65 points. The electrical trades pretested at 55 post-tested at 76. The mechanical trades pretested at 40 and post-tested at 81.

In the electrical survey the benchmark was 50 points. The electrical trades pretested at 52 and post-tested at 69. The mechanical trades pretested at 9 points and post-tested at 32, which was very unique considering they had no previous training in that field at all.

At this point I would like to introduce Jerry Schmidt to give some of his views in regards to our training program.

Chairman **Hawkins**. The statement of Mr. Stevens has been read in to the record. The statement of Mr. Schmidt will follow. We request the witnesses to summarize to the extent possible.

Thank you.

[The prepared statement of Charles Stevens and Jerry Schmidt follows:]

STATEMENT OF

JERRY SCHMIDT, TRAINING MANAGER
CHARLES STEVENS, SKILLED TRADES TRAINING COORDINATOR- LOCAL 599

BUICK CITY CAR STAMPING AND ASSEMBLY PLANT
BUICK - OLDSMOBILE - CADILLAC GROUP
OF
GENERAL MOTORS CORPORATION
AND
THE UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT
WORKERS OF AMERICA
LOCAL 599

ON
BUICK CITY'S TRAINING PARTNERSHIP

BEFORE THE
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

MARCH 12, 1987
WASHINGTON, D.C.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, AND HONORED GUESTS. I AM CHUCK STEVENS, SKILLED TRADES TRAINING COORDINATOR FOR BUICK CITY REPRESENTING UAW LOCAL 599 AND THIS IS JERRY SCHMIDT, TRAINING MANAGER FOR BUICK CITY, REPRESENTING THE BUICK- OLDSMOBILE- CADILLAC GROUP OF GENERAL MOTORS CORPORATION.

WE ARE PLEASED TO HAVE THIS OPPORTUNITY TO SHARE THE BUICK CITY START-UP TRAINING EXPERIENCE WITH YOU. WE BELIEVE THAT THE PARTNERSHIP WHICH GREW FROM THE SCHOOL SYSTEMS IN THE FLINT AREA (GENESEE COUNTY), GENERAL MOTORS CORPORATION, AND THE UAW IS UNIQUE AND WILL CONTINUE TO HAVE VALUE TO OUR COMMUNITY.

• • • • • • • • • • • • •

1983 WAS A YEAR WHEN POWERFUL FORCES WERE AT WORK IN THE COMMUNITY -- FORCES DEALING WITH EMPLOYMENT, THE GENERAL ECONOMY AND, FOR THE BUICK ASSEMBLY PLANT, A THREAT TO EXISTENCE.

THE BUICK ASSEMBLY PLANT IN FLINT, MICHIGAN WAS, IN AUGUST OF 1983, SCHEDULED TO CLOSE AFTER SEVENTY-FIVE YEARS OF PRODUCTION. IN 1976, THE ASSEMBLY PLANT WAS ON A LIST OF PLANTS DESTINED TO BE CLOSED UNLESS COSTS WENT DOWN, QUALITY AND PRODUCTION IMPROVED AND SALES INCREASED. CHANGES WERE IMPERATIVE; A NEW PLAN WAS NEEDED TO KEEP THE DOORS OPEN, THE PEOPLE AT WORK AND THE ECONOMIC FUTURE OF THE COMMUNITY SECURE. BUICK MANAGEMENT HAD SUBMITTED SEVERAL PROPOSALS TO CORPORATE OFFICIALS TO KEEP BUICK'S OPERATIONS IN BUSINESS. FOR EIGHT MONTHS, THIS TASK FORCE WORKED ON THE PLAN IT WOULD SUBMIT TO THE PLANT MANAGER, WHO WAS

ABLE TO CONVINCE THE CORPORATION THAT FLINT WAS THE PLACE TO LOCATE THE FRONT WHEEL DRIVE LESABRE PRODUCTION FACILITY.

WITH APPROVAL OF THE PLAN CAME THE UNOFFICIAL NAME--BUICK CITY. THIS TAG EVOLVED WHEN LLOYD REUSS, EXECUTIVE VICE PRESIDENT OF GENERAL MOTORS, COMPARED THE NEW PROPOSED FACILITY TO "TOYOTA CITY" DURING HIS PRESENTATION OF "THE PLAN" TO GENERAL MOTORS.

WHAT WAS "THE PLAN"? IT WAS A DESIGN THAT CALLED "FOR THE TRANSFORMATION OF MANUFACTURING PLANTS MORE THAN A HALF-CENTURY OLD INTO A MODERN ASSEMBLY CENTER ON PAR WITH ANY IN THE WORLD AND THE EQUAL OF THE CORPORATION'S OWN NEWLY BUILT PRODUCTION SYSTEMS. IT WOULD RADICALLY ALTER OR REPLACE PREVAILING MANUFACTURING CONCEPTS WITH NEW COST EFFICIENT, COMPUTER CONTROLS. IT WOULD PROVIDE A NEW OPERATING PHILOSOPHY FOR EMPLOYES AND A MEANS BY WHICH THEY COULD GROW WITH THESE NEW CONCEPTS. THE BOTTOM LINE OF BUICK CITY'S CAREFULLY CONCEIVED MASTER PLAN WAS TO PRODUCE VEHICLES THE EQUAL OF ANY IN THE WORLD."

THE PROPOSAL WAS ACCEPTED BY THE GENERAL MOTORS CORPORATION IN JANUARY, 1983. AN INTEGRAL PART OF THIS PROPOSAL WAS EMPLOYE INVOLVEMENT.

WHAT FACTORS LED TO BUICK CITY LOCATING IN FLINT? THIS QUESTION WAS ASKED OF UNION AND MANAGEMENT LEADERS AT BUICK CITY AND THE UNANIMOUS RESPONSE WAS THAT THE PROPOSAL WAS DIFFERENT--IT WAS INNOVATIVE TO THE POINT THAT THE CORPORATION HAD TO TAKE A SECOND LOOK AND, MOST IMPORTANTLY, IT WAS DEVELOPED BY A JOINT EFFORT OF UNION AND MANAGEMENT. IT ALSO HAD EVIDENCE OF GOOD, ADVANCED IDEAS FOR IMPLEMENTATION.

The Study Team's task was finished once the proposal was accepted by the corporation. The next step was to develop a new team--one that would continue where the Study Team left off. This group was the Design Team, which began functioning in February, 1983. Lee Furse, Plant Manager, also hand-picked this group which was originally composed of ten managers and five union members.

The Design Team was given the responsibility of planning, directing and overseeing the work of creating the facility, developing the time lines, investigating suppliers and training the work force, both hourly and salaried. They traveled worldwide to many facilities where they investigated modern and highly technical systems.

A highly trained work force would be an integral part of this plan. A comprehensive training program was initiated by Buick Motor Company and the UAW Local 599 with an educational consortium consisting of Genesee Intermediate School District (GISD), Mott Adult High School of the Flint Community Schools (MAHS, FCS) and Mott Community College (MCC).

These five agencies formed a partnership known as the Buick City Training Consortium. An application for "Quik Start" funds from the State Department of Education was approved and the assessment and instructional program began twenty-one months before the start up of production. A total of 1068 Buick City workers received training during the next 29 months before this phase of the training ended in April, 1986.

Training expanded beyond the consortium training to training companies, vendor companies, other educational institutions and, eventually, to the Buick City Training Center itself.

Buick City has a work force of approximately 4,500 hourly workers and 310 salaried workers.

Buick City is the only facility to have continuous stamping that is fully integrated with assembly and it encompasses 1,800,000 square feet with 15.2 miles of conveyors. There are 223 robots in the plant and 150 automatic guided vehicles with 55 automatic vehicle identification stations to track the vehicle being assembled. There are 22 dock locations around the perimeter of the plant for "just-in-time" materials delivery with CRT's to record materials received.

Six objectives were outlined in the "Quik Start" grant request for the training to be delivered by the educational consortium (Genesee Intermediate School District, Flint Community Schools, and Mott Community College). These objectives also reflected additional goals that the Buick City training committee felt were necessary for the entire work force.

The six objectives are:

1. To identify, recruit, assess, counsel persons to be trained.
2. To define specific training requirements for new jobs which result from retooling or technological impact.
3. To provide basic (reading, math) skills training.
4. To provide elementary vocational and technical skills training.
5. To provide advanced technical skills training.
6. To provide training, in facilitation skills.

Lee Furse, plant manager, planned a breakfast meeting September 2, 1983 with representatives of the UAW Local 599, Buick City management, and the local educational institutions. The educators invited included

DR. DAVID SPATHELF, SUPERINTENDENT OF GENESEE INTERMEDIATE SCHOOL DISTRICT, DR. JOSEPH POLLACK, SUPERINTENDENT OF FLINT COMMUNITY SCHOOLS AND DR. ROBERT RUE WHO WAS THE PRESIDENT OF MOTT COMMUNITY COLLEGE AT THE TIME. THE FOLLOWING LETTER INVITING THESE PARTICIPANTS FURTHER EXPLAINS THE GOALS AND REQUEST PRESENTED TO THE EDUCATIONAL INSTITUTIONS:

AUGUST 30, 1983

> AS PLANT MANAGER OF THE BUICK CITY DESIGN TEAM, I RESPECTFULLY REQUEST YOU TO JOIN WITH (OTHER LOCAL INSTITUTIONS) TO FORM A PUBLIC VOCATIONAL CONSORTIUM. THE PURPOSE OF THIS CONSORTIUM WOULD BE TO ASSIST BUICK CITY IN ITS PRESENT AND FUTURE EDUCATIONAL NEEDS IN THE AREAS OF ASSESSMENT, BASIC EDUCATION AND TECHNICAL TRAINING OF OUR EMPLOYES.
>
> I ALSO REQUEST THE CONSORTIUM BE FORMED TO SEEK THE ASSISTANCE OF STATE AND FEDERAL TRAINING PROGRAMS FOR FUTURE BUICK CITY EMPLOYES. IN SPECIFIC, I REQUEST THE CONSORTIUM SEEK FUNDING FROM THE "QUIK START" PROGRAM, ADMINISTERED BY THE STATE DEPARTMENT OF EDUCATION.
>
> THE PEOPLE HERE AT BUICK CITY AND I ARE PLEASED FOR THE OPPORTUNITY TO WORK WITH YOU TO MEET OUR SIGNIFICANT CHALLENGES IN EDUCATION AND TRAINING. I LOOK FORWARD TO MEETING WITH YOU ON FRIDAY, SEPTEMBER 2, 1983, AT 8:00 A.M. FOR A GET ACQUAINTED MEETING AND TOUR OF THE FACILITIES OF EACH INSTITUTION.

L.E. FURSE JR.
PLANT MANAGER

The consortium was formed, a subsequent meeting was held September 6 and the application for "Quik Start" funds was submitted to the Michigan Department of Education September 21 and was accepted by this department October 12, 1983.

At a press conference held at Buick City October 13, 1983, Governor Blanchard and Dr. Runkel, State Superintendent of Public Instruction, awarded the grant of $242,404.00 to the local educational consortium and explained that Buick would supply supplemental funds of $951,401.00 to the project. They also hailed the business-labor-education effort as Michigan's first of such ventures.

The members of the education consortium would provide services as follows to meet the six objectives:

- Buick City and the UAW Local 599--Needs analysis, identify those to be trained, schedule, monitor results
- Genesee Intermediate School District--Fiscal agent, assessment and councilling
- Mott Adult High School--Basic skills and mid-tech training
- Mott Community College--Advanced technical skills training and facilitation skills
- University of Michigan--Advanced facilitation skills

There were 1650 workers at Buick City assessed in reading and math skills. All workers selected for training were assessed, although all those assessed did not go to training. The California Achievement Test (CAT) was the assessment instrument.

Selection, recruitment, assessment and counseling were begun in October, 1983, two months before the actual training began. At the time of the assessment, a short orientation to training was given. The education institutions, as well as the UAW and Buick City management, were represented. This proved valuable since some of the questions concerning training could be addressed. Workers were notified by letter as to when and where they should report for training. On the student's first day of school the orientation process continued--representatives from the UAW and management spoke to the class about work policies and the school personnel provided information about school policies and schedules, curriculum and staff. Provisions were made to address concerns of the students while off-site at school.

The students often had serious personal concerns--many had very real fears about returning to the classroom, and family adjustments often had to be made to compensate for the changes within the student's work life.

Scheduling was a cooperative activity of all the consortium members. The schools needed to be aware of production priorities at Buick City and needed to be sympathetic to the time constraints of the other educational institutions. Orientation to training, grading procedures, attendance, student recognition and awards were addressed by the training committee and the training consortium, and policies and procedures were adopted. Certificates were given to the training participants at the conclusion of each segment of the training sequence. These awards were usually presented at an award ceremony in which the students, members of management, members of the UAW and representatives from the participating school took part. Class size varied from 15 to 25 students with most

GROUPS NOT EXCEEDING 20. FIFTEEN IN A CLASS WAS THE PREFERRED NUMBER BY MANY RESPONDENTS TO THE QUESTIONNAIRES. STUDENTS ATTENDED SCHOOL EIGHT HOURS PER DAY, AND CONTRARY TO INITIAL SPECULATION ABOUT HOW EDUCATIONALLY FEASIBLE THIS WAS, STUDENT REACTION WAS EXCELLENT AND THE LEVEL OF PARTICIPATION WAS GOOD.

THE NUMBERS OF PEOPLE TRAINED EXCEEDED THE GOAL SET INITIALLY IN THE PROGRAM. THE ORIGINAL GRANT PROJECTED THAT 630 EMPLOYEES WOULD BE ASSESSED AND AT LEAST 600 WOULD BE TRAINED; 285 IN SKILLED TRADES AND 315 IN PRODUCTION. THE ACTUAL NUMBERS WERE 1636, 1069, 378 AND 691.

ALL STUDENTS IN THE BUICK CITY CONSORTIUM TRAINING PROGRAM BEGAN THEIR PROGRAM IN BASIC SKILLS TRAINING AT MOTT ADULT HIGH SCHOOL. THIS PROGRAM WAS FOR A MINIMUM OF 120 HOURS AND CONSISTED OF MATH, READING/WRITING SKILLS, KEYBOARDING AND COMPUTER AWARENESS. THE INTENT OF THIS COMPONENT OF THE TRAINING WAS TO REVIEW AND REINFORCE SKILLS ALREADY LEARNED, AS WELL AS HELP THE STUDENT ACQUIRE NEW SKILLS.

AT THE COMPLETION OF THE TRAINING FOR BASIC SKILLS, THE STUDENT ADVANCED TO THE NEXT PHASE OF TRAINING. THIS WAS USUALLY THE MID-TECHNICAL CURRICULUM ADMINISTERED BY THE FLINT COMMUNITY SCHOOLS. THE PURPOSE OF THE MID-TECH TRAINING FOR THE SKILLED TRADES WAS TO ACQUAINT THE STUDENTS WITH THE OTHER TRADES SO THAT THEY MIGHT BE MORE KNOWLEDGEABLE OF THE WORK DONE BY THOSE IN THEIR WORK TEAM.

MUCH OF THE WORK IN THE MID-TECH WAS CURRICULUM THEORY OR, WHEN POSSIBLE, SIMULATED. INSTRUCTIONAL MATERIALS INCLUDED ELECTRICAL DIAGNOSTIC TOOLS, ELEMENTAL ELECTRICAL LAB EQUIPMENT, BLUEPRINT DRAWING TOOLS, A PROGRAMMABLE WELDER, A HYDRAULIC TRAINER AND COMPUTER SOFTWARE FOR SIMULATED PRACTICES. THE MID-TECH CURRICULUM FOR THE PRODUCTION

GROUPS VARIED ACCORDING TO THE NEEDS OF THE DEPARTMENTS.

UAW AND MANAGEMENT PERSONNEL WERE ALSO ASKED THE QUESTION--"WAS THE MID-TECH PORTION OF THE TRAINING A STRENGTH OR WEAKNESS TO THE PROGRAM?"; OF THOSE WHO RESPONDED, 78% RATED IT AS A STRENGTH AND 22% AS A WEAKNESS WITH NO SPECIFIC DEPARTMENT OR AREA RESPONDING UNANIMOUSLY ONE WAY OR THE OTHER.

EACH STUDENT WAS REQUESTED, UPON COMPLETION OF THE MAHS PORTION OF THE TRAINING, TO RESPOND TO AN EVALUATION OF THE BASIC AND MID-TECH TRAINING. THE RESULTS OF THESE EVALUATIONS INFLUENCED CURRICULUM AND PROCEDURAL CONSIDERATIONS AND WERE OFTEN THE CAUSE FOR ALTERATIONS OR REINFORCEMENTS IN THE PROGRAM. MANY OF THE SKILLED TRADES STUDENTS WERE ASSESSED BY THE "GM TEST BATTERY FOR SKILLED TRADES".

MOTT COMMUNITY COLLEGE PRIMARILY SERVED THE SKILLED TRADES GROUPS BUT ALSO PROVIDED TECHNICAL TRAINING TO SOME OF THE PRODUCTION AREAS.

AS IN THE BASIC AND MID-TECH PROGRAMS, THE EDUCATIONAL INSTITUTIONS, IN THIS CASE MOTT COMMUNITY COLLEGE, PROVIDED INSTRUCTIONAL MATERIALS PURCHASED WITH GRANT FUNDS AND BUICK CITY SUPPLIED EQUIPMENT AND COMPONENTS. TEXTBOOKS, WHEN RETAINED BY STUDENTS, WERE ALSO PURCHASED BY BUICK CITY.

THE HIGH-TECH TRAINING FOR SKILLED TRADES WAS IN TWO GENERAL AREAS: ELECTRONICS AND HYDRAULICS/PNEUMATICS. ELECTRICIANS TOOK THE SIXTEEN WEEK (640 HOURS) ELECTRONICS COURSE AND THE MECHANICAL TRADES STUDENTS ATTENDED AND EIGHT WEEK (320 HOURS) HYDRAULICS AND PNEUMATICS COURSE.

THE EQUIPMENT FURNISHED FOR THE HYDRAULICS AND PNEUMATICS CLASS BY BUICK CITY INCLUDED TEN PNEUMATIC EQUIPPED WORK BENCHES, FIVE HYDRAULIC EQUIPPED WORK STANDS PLUS ELECTRICAL (HYDRAULIC/PNEUMATIC) EQUIPMENT FOR

ADVANCED TRAINING.

A SAMPLE OF STUDENTS WAS POST TESTED WITH THE GM TEST BATTERY FOR SKILLED TRADES AND EXCEEDED THE BUICK CITY EXPECTATIONS. FOLLOWING ARE SOME NUMERICAL RESULTS:

PNEUMATICS INVENTORY
BENCHMARK = 48 POINTS
ELECTRICAL TRADES PRE-TEST = 44 POINTS; POST-TEST = 53 POINTS
MECHANICAL TRADES PRE-TEST= 31 POINTS; POST-TEST = 63 POINTS

HYDRAULICS INVENTORY
BENCHMARK = 65 POINTS
ELECTRICAL TRADES PRE-TEST = 55 POINTS; POST-TEST = 76 POINTS
MECHANICAL TRADES PRE-TEST = 40 POINTS; POST-TEST = 81 POINTS

ELECTRICAL INVENTORY
BENCHMARK = 50 POINTS
ELECTRICAL TRADES PRE-TEST = 52 POINTS; POST-TEST = 69 POINTS
MECHANICAL TRADES PRE-TEST = 9 POINTS; POST-TEST = 32 POINTS

RECOGNITION CEREMONIES WERE ALSO HELD AT THE CONCLUSION OF THE HIGH-TECH TRAINING AND CERTIFICATES WERE AWARDED. SPEECHES BY MOTT COMMUNITY COLLEGE ADMINISTRATORS, BUICK CITY MANAGEMENT, UAW REPRESENTATIVES AND COMMENTS BY CLASS REPRESENTATIVES WERE DELIVERED TO AN AUDIENCE OF STUDENTS, THEIR FAMILIES AND FRIENDS, BUICK CITY PERSONNEL, BOTH UAW AND MANAGEMENT, TRAINING CONSORTIUM MEMBERS AND MOTT

Community College instructors and aides. Class pictures were taken and news articles about these ceremonies at both Mott Adult High School and Mott Community College were included in the UAW Headlight and Buick City News.

Vendor training was arranged by the training department at Buick City and was not supplied by the training consortium. However, it was a vital part of the student's training prescription and all the basic and technical instruction was directed toward both this training phase and the employe's ultimate responsibility to Buick City. This fact apparently was realized more by the educators and vendor companies than the students, since, when asked if the previous training helped in vendor training, the majority of the students (58%) said, "No". Vendor companies responded differently; 86% of them said, "Yes, the preparation prior to coming to this center was helpful." In fact, one vendor company replied that curriculum changes had to be made for Buick City students since they came to the vendor training with unanticipated skills.

In addition to vendor companies, specific skills training took place within the Buick City plant itself, at the Employe Development Center (EDC) in Flint, which was a Buick/UAW supported facility, and at the University of Michigan- Flint.

Production workers who would become trainers and team coordinators were given additional facilitation skills training at Mott Community College and at the University of Michigan- Flint. As in the technical training, the facilitation skills instruction became more relevant to the job assignment.

Funding for this training effort began with approval of a $1.2 million grant in Quik Start monies from the State Department of Education. By the time the training was complete, the total estimate of training (the remainder funded by General Motors Corporation) exceeded $40 million.

The value of a program should be measured by the results obtained. UAW and management personnel were also asked the question, "Have you noticed an improvement in the trained employe's job skills (performance) due to this training? Their responses were 88% yes, 12% no.

Some specific strengths of the training were:

1. Everyone learned
2. Qualified instructors
3. A basic need to update technology in electronics and hydraulics/pneumatics
4. Basic training conducted first
5. Mixture of departments and/or plants
6. Department relationship closer
7. Cross trade participation

Any project, no matter how large or small, also has weaknesses. The Buick City Training Committee addressed the concerns as they occurred.

At the conclusion of the consortium training in 1986, the Buick City Training Department hosted the staffs from the State Department of Education, Genesee Intermediate School District, Flint Community Schools and Mott Community College at an open house which included a tour of the

ASSEMBLY FACILITY. A LETTER OF APPRECIATION FROM LEE FURSE, PLANT MANAGER, WAS PRESENTED TO THESE EDUCATORS.

THE TRAINING CONSORTIUM, COMPOSED OF THE THREE EDUCATIONAL INSTITUTIONS, THE UAW AND BUICK CITY MANAGEMENT, RECEIVED A BUSINESS AND EDUCATION PARTNERSHIP PROJECT AWARD IN 1984. THIS AWARD WAS SPONSORED BY TEN STATE-WIDE EDUCATION AND BUSINESS ASSOCIATIONS AND WAS GIVEN TO RECOGNIZE COOPERATIVE EDUCATIONAL PROJECTS INVOLVING SCHOOLS AND LOCAL BUSINESS OR INDUSTRY.

A CAREER GUIDANCE INSTITUTE AWARD "FOR THEIR DISTINGUISHED EFFORTS IN DEVELOPING AN EFFECTIVE RELATIONSHIP BETWEEN BUSINESS AND EDUCATION IN THE COMMUNITY" WAS PRESENTED TO MOTT ADULT HIGH SCHOOL AS A FINALIST FOR BEST PROJECTS, 1986. THE AWARD WAS SPONSORED LOCALLY BY THE BUSINESS AND EDUCATION COORDINATING COUNCIL OF FLINT.

INTERVIEWS WERE CONDUCTED WITH FAMILIES OF STUDENTS TO DETERMINE THE EFFECTS THE TRAINING MIGHT HAVE HAD ON SPOUSES AND CHILDREN OF THE TRAINEES. SOME QUOTES FROM THESE INTERVIEWEES ARE AS FOLLOWS:

QUOTES FROM SPOUSES:

"I THINK THE MOST IMPORTANT THING IS THAT IT REALLY MEANT A LOT TO HIM. FOR HIM, IT WAS KIND OF EXTRA SPECIAL."

"IT GAVE HIM RESPECT FOR HIMSELF KNOWING THAT HE COULD GO BACK TO SCHOOL AND GRADUATE FROM THAT PROGRAM."

"IT GAVE HIM RESPECT, IT GAVE THE FAMILY MORE RESPECT FOR HIM."

"WE HAVE OLDER BOYS AT HOME WHO HAVE GONE THROUGH COLLEGE AND SO THEY HAD A LOT IN COMMON AND HAD A LOT TO TALK ABOUT."

QUOTES FROM CHILDREN:

"WHEN HE WAS IN HIGH SCHOOL HE WAS A REAL TERROR AND WHEN HE WAS BACK IN SCHOOL HE WAS BEING THE GOOD KID."

"YES, HE BROUGHT HOMEWORK HOME--NO, I DIDN'T HELP HIM."

SEVERAL STUDENTS RETURNED TO SCHOOL AS A RESULT OF THE INCENTIVE AND ENCOURAGEMENT THEY RECEIVED IN TRAINING. SEVEN STUDENTS ARE KNOWN TO HAVE COMPLETED THEIR HIGH SCHOOL DIPLOMA REQUIREMENTS AND AT LEAST TWELVE RECEIVED A GED AS A DIRECT RESULT OF THIS TRAINING PROGRAM. MANY HAVE ENROLLED IN COLLEGE CREDIT CLASSES BECAUSE OF THE INFLUENCE OF THIS TRAINING.

THE MOST OBVIOUS ASSET OF A TRAINING PROGRAM SHOULD BE THE SKILLS ACQUIRED BY THE PARTICIPANTS. SCORES AND EVALUATIONS WERE TESTIMONY THAT THIS BENEFIT WAS REALIZED. TRAINING SHOULD ALSO HELP THE PARTICIPANT ON THE JOB. WHEN ASKED, "DID YOU FIND THE TRAINING HELPFUL ON THE JOB?", 62% OF THE STUDENTS REPLIED, "YES".

ATTITUDE WAS SEEN AS AN ASSET, ESPECIALLY WHEN MANAGEMENT JUDGED EMPLOYES OR WHEN WORKERS JUDGED CO-WORKERS. ATTITUDE CHANGE WAS NAMED AS A POSITIVE RESULT OF TRAINING BY MANAGEMENT AND IT WAS ALSO CITED AS AN ASSET BY SOME OF THE EMPLOYES.

THE BUICK CITY TRAINING DEPARTMENT IDENTIFIED THE ASSETS IN THE FOLLOWING STATEMENTS: "EMPLOYES ARE TRAINED IN A TRAINING ENVIRONMENT, THE COST TO BUICK CITY IS REDUCED AND THE IMAGE OF BUICK CITY IMPROVED WITHIN THE COMMUNITY. IN RESPONSE TO MR. FURSE'S REQUEST, THE FOLLOWING BENEFITS WERE IDENTIFIED BY THE EDUCATIONAL CONSORTIUM. THE PROGRAM HAD POSITIVE EFFECTS BY MEETING AND WORKING WITH STAFFS OF THE OTHER CONSORTIUM ORGANIZATIONS. SPECIFICALLY THE INCREASED UNDERSTANDING OF THE

MISSION AND WORK FOR EACH MEMBER INSTITUTION. THERE WAS AN INCREASED AWARENESS OF THE EDUCATIONAL NEEDS OF FLINT AREA ADULT POPULATION. IN TURN, PROGRAM PARTICIPANTS HAD A NEW UNDERSTANDING OF THE EDUCATIONAL SYSTEMS THEY FINANCIALLY SUPPORTED. INDIVIDUAL STAFF MEMBERS HAVE INCREASED THEIR PROFESSIONAL KNOWLEDGE AND SKILL DUE TO THE DEMANDS OF THE PROJECT GOALS. TEAMWORK PHILOSOPHY BECAME A TEAMWORK REALITY, AS BUICK CITY ACTIVITIES REQUIRED SIDE-BY-SIDE EFFORTS BY STAFF MEMBERS FROM EACH INSTITUTION. CONSORTIUM MEMBERS HAVE BENEFITED GREATLY BY JOINING G.M. IN LOOKING TO THE FUTURE OF THE GREATER FLINT AREA, THE NEEDS OF THE AUTOMOBILE WORKER AND THE ROLE THAT EDUCATION MUST PLAY IN PREPARING FOR THAT FUTURE. INVOLVEMENT WITH UAW PERSONNEL SERVING ON THE BUICK CITY TRANSITION TEAM HAS DEMONSTRATED THE VALUE OF EMPLOYE INVOLVEMENT AND PARTICIPATION IN CHANGE."

WE WOULD LIKE TO LEAVE YOU WITH THE FOLLOWING RECOMMENDATIONS:

BASED ON OUR EXPERIENCE, WE BELIEVE THE KEYS TO SUCCESSFUL RETRAINING EFFORTS IN INDUSTRY ARE:

A. AGREEMENT ON THE NEED FOR EDUCATION AND TRAINING.

B. A TOTAL COMMITMENT FROM LABOR AND MANAGEMENT TO THE TRAINING EFFORT. THE IMPORTANCE OF THIS COMMITMENT AND THE COOPERATION THAT MUST BE DEMONSTRATED CANNOT BE UNDERESTIMATED.

C. SUPPORT FROM THE EDUCATIONAL INSTITUTIONS AND THE INVOLVEMENT OF STATE AND LOCAL EDUCATIONAL AUTHORITIES. IT IS CRITICALLY IMPORTANT THAT THIS SUPPORT PROVIDE ENOUGH FLEXIBILITY TO MEET THE CHALLENGES OF NEW TECHNOLOGY AND THE MARKETPLACE.

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Chairman **Hawkins**. Mr. Schmidt.

STATEMENT OF JERRY SCHMIDT, TRAINING MANAGER, THE UNITED AUTOMOBILE, AEROSPACE, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, LOCAL 599, BUICK CITY CAR STAMPING AND ASSEMBLY PLANT

Mr. **Schmidt**. Recognition ceremonies were held at the conclusion of all training sessions, and certificates were awarded.

I think what I will do, in light of the fact that we have been asked to summarize, is I will skip to some specific strengths that we found of the training. And they are: everyone learned. There were qualified instructors. There is a basic need to update technology in electronics and hydraulics/pneumatics, and we did that. The very basic strength was that the basic training was conducted first, and there was a mixture of plants, mixture of departments that were included.

We had some quotations from spouses and children. And I think they are very interesting. I will read one of each. A quote from a spouse: It gave the person respect, and it gave the family more respect for him. And from the children: "Yes, he brought homework home, but no, I didn't help him."

We would like to leave you with the following recommendations: A, agreement on the need for education and training; B, a total commitment from labor and management to the training effort. The importance of this commitment and the cooperation that must be demonstrated cannot be underestimated. And C, support from the educational institutions and the involvement of state and local educational authorities. It is critically important that this support provide enough flexibility to meet the challenges of new technology in the marketplace.

Thank you, Mr. Chairman.

Chairman **Hawkins**. Thank you, Mr. Schmidt.

I will yield my time to the gentleman from Flint, Michigan.

Mr. **Kildee**. Thank you, Mr. Chairman.

Let me ask this question of both of you, and you may respond. What was the importance of your retraining efforts which you coordinated with the local educational communities to your plant? Has it made your plant more competitive with, say, the Japanese producers? Has it made your plant more competitive within the General Motors family because I know there is quite a bit of competition within the General Motors family right now to produce? How has it helped in competition—the retraining efforts?

Mr. **Schmidt**. Mr. Kildee, as you know, the Buick City concept was a brand new concept in the chain of events as General Motors attempts to become more efficient and to upgrade its facilities. And to answer your question specifically, yes, it has accomplished the task of making Buick City more efficient. The retraining effort that was done and the way it was done lent itself to that in that we started from the concept of basic training, followed that through with mid-tech and then hi-tech, and then brought the people into the plant continuing the training with the vendors to upgrade their skills to the maximum extent possible. And I feel that we did accomplish our task in terms of being competitive and implementing the new concepts of Buick City.

Mr. **Stevens**. As far as the institutions on the outside, prior to getting involved with them, each one of them has their own separate entity. Mott Adult High School, Mott Community College—those types of folks had their own programs and the way they instituted them. This program brought all those folks together. We told them, this is what we need. You have the experience and the expertise. Tell us how we can do it. The chain of events put those folks working together now as one team rather than separate entities.

And I think that not only increased the image in the community, but brought about a better working knowledge of the man in the plant, what industry goes through and what type training has to be given to the adults from the automobile industry. And I think your colleges, your high schools, your assessments and everything else—folks taking the assessments found out that there was a lot things they knew and a lot things they did not know.

And we have had such achievements from this program that we had people complete their GED. We have had people—one gentleman through the training, when his granddaughter graduated from Central High School, he got his high school diploma because of that training. We have had people go on to college. We have had other people finish up college and motivated them to go on and get more training, and as a result of it.

Now, that was basically one section of the plan. That was then. You have to look into the future technology is changing all the time. You cannot just quit. We have had to totally revamp our training program to meet the needs of the plant because they are building a product now. We have had to cut it down, and we have a training center, as you know. It is 11 classrooms. We have got almost a half a million dollars sunk into it at this point—six robots and so on.

But the thing of it is we have to continue to train these people because every year the technology is changing. If we quit with that phase one, we might as well give up. We just have to continue.

Mr. **Kildee**. Let me ask you this. From my observation, when you brought the consortium of various school or educational agencies together, you provided both basic skills, math skills, for example, and some technical training. Was that fused together quite well with the various educational institutions to bring the basic skills and then the application of those basic skills to technical matters? Was that brought together well?

Mr. **Stevens**. Yes. What brought that about is we sat down prior, again, to meeting with the consortium—sat down with a cross section of people from the plant, met with them for three days, had the engineers come in. We talked to them. We went to Lake Oree which was a plant that was built, spent two days giving them all the information we knew from all our travels and everything else. On the third day we said to them, we know as much as we do about this project. You tell us what your needs are now.

That is what brought about the basic training. We had people in there from five years out of school to 35 years, almost 40 years out of school. And they said, hey, we need some refreshers. Therein is where Mott Adult High School played the first role. They started the basics and the refresher courses. The mid-tech portion of it was after they got their basics in line and kind of got them into a thinking mode again.

And one of the things that those folks—in going to school the first week, week and a half, that fear of the unknown was there. They were very competent in-plant doing whatever job they were doing. Now they are sitting in the classroom with their buddies, and they are wondering if they are going to be showed up. But that went away after a week. Those folks started coming together and working as one.

In fact, the transition that we had with the Fisher plant folks coming over—that went very well. We had probably close to 2,000 folks coming over from Fisher as a result of the project. And the Mott Adult High School took care of the basics and the mid-tech. And they got them prepared to go to college. And I say that when they went to the college, they were ready.

We had very few things that we had to change. And we met every two weeks with the schools and the students and the teachers, and said, are there any problems. What adjustments do we have to make, if any, and took care of that. And that was a joint effort.

Mr. KILDEE. So, you brought really three groups together: labor, management and the educational community within the community.

Mr. STEVENS. And the vendors.

Mr. KILDEE. And the vendors also.

Mr. STEVENS. The whole intent of the training was to bring them up to the point where they were prepared to go to the vendors. That was the whole intent in bringing up there. And we had to start someplace at the beginning. And we said to the folks out there, you tell us what you need. And we built it from that point.

Mr. KILDEE. I found in that experience, which I thought was a very good experience, that you found educational institutions, many of whom have been operating separately for years, were brought together serving the same student. Do you think that actually helped educate the educators there as to what their role in a community might be?

Mr. SCHMIDT. I think if you look at what took place where you had management, labor finally coming together agreeing on a focus, that effort then pulling in the various educational institutions within the Flint community—and I think you said it, Mr. Kildee, that they operate quite independently or did operate quite independently. Pull that all together for a common goal, it definitely provided insight from both the educational institutions to the Buick City plant, which is industry, and the other direction from Buick City gaining some insight into the educational community.

And I guess we would not have—in my opinion would not have accomplished that goal had we not had this opportunity to retrain for the start-up of the plant.

Mr. KILDEE. One final question, Mr. Chairman.

You had to really come on-line because Buick City was really changing its method of manufacturing dramatically and drastically. You had to come on-line. You talked about a Quik Start on the state level. Would it be helpful if we addressed ourself to some type of Quik Start on the federal level to help bring these programs online to respond quickly to the needs of a manufacturing concern?

Mr. **Schmidt**. One of the things that outside money did for us is it encouraged us to involve the educational community, together with labor and management, for the retraining structure. Had we not had outside money, we would have probably started with the vendor training, which is an area where we normally start, and ignored the needs of the majority of the people who needed to begin to build and refresh their skills from a basic and a mid- tech standpoint.

I would say that from my perspective we would encourage any kind of support and funding and to have that come from a federal level, as well as from a state level, and include in that a lot of flexibility in terms of being able to make changes when changes are needed midstream as we had to do several times, as well as to have it flexible enough so that from a particular site, maybe one located in Flint, to another one located in another community, that that flexibility is there for each of the areas to model what they need to meet their needs.

Mr. **Kildee**. So, let labor, management and the educational institutions determine this structural model rather than having one imposed or saying, here's a model for you to use. Let you work out the model you need for your own particular needs.

Mr. **Schmidt**. Each area will be different.

Mr. **Stevens**. The flexibility has to be built in there for that because our particular plan worked for us, and we had some glitches in it. And we tried to work them over. And you are looking back. There are things that you would do differently. But you could take a smaller business as an example. And you talk about the Quik Start from the federal level on down. I guess, yes, if you look at something like that, it might then tell people, hey, there is total support all the way down through.

But along with that, I think they ought to have some type of study teams that get in there and get something going before they people are out the door, and say, hey, look, there is a possibility due to sales or whatever. And new technology is on-stream. We cannot forget that. Let's see if we cannot go in and do something. And if those people want that, and all parties are willing to do something, the funds are available down through the different steps to help those folks rather than after they are unemployed.

Mr. **Kildee**. Thank you, Mr. Chairman. Thank you for more than the five minutes. I appreciate that.

Chairman **Hawkins**. Mr. Jeffords?

Mr. **Jeffords**. No questions at this time, Mr. Chairman.

Chairman **Hawkins**. Mr. Ballenger?

Mr. **Ballenger**. Yes, sir, if I may. Thank you very much, Mr. Chairman.

First of all, I would like to commend you. To me it is one of the best examples I have ever seen of a whole community getting together and facing a problem that obviously came to Flint, Michigan.

One point came to my mind, and you mentioned flexibility. I was just looking at the dollars and cents that you have. I do not know what Quik Start is, whether that is a federal or state funded operation in Michigan. Do you know?

Mr. **Schmidt**. Quik Start is state funded. However, I believe that there are some federal monies involved, or there were some federal monies involved.

Mr. **Ballenger**. J.T.P.A. or something like that?

Again, I would like to say because of the effort you made, it appears that whatever Quik Start money there was seems to have been compounded substantially. I know there is $1.2 million, it says, grant—Quik Start monies from the state Department of Education, which was followed by $40 million from General Motors, which I think compounds what I have just said about the community working together along with the industry itself.

But you mentioned the flexibility. And having worked in my home in North Carolina with federal programs at one time or another, the idea that generally speaking—federal money just does not come flexible. Usually it comes with strings and so forth and so on. I would hope that somewhere along the line when we design whatever programs we may come up with around here, that we would leave the flexibility in there for—as you say, each individual area is going to have a different way of approaching this thing.

In my past experience with federal money, usually you get a straightjacket with it that really precludes you from doing the best job that is possible. And I would hope that our committee here would go along with the idea that let folks at the local level do the best job they can with few strings.

Thank you very much, sir.

Chairman **Hawkins**. Thank you.

Mr. Owens?

Mr. **Owens**. No questions, Mr. Chairman.

Chairman **Hawkins**. Mr. Hayes?

Mr. **Hayes**. Just one. I want to commend you too, as others have done, for what apparently was a well-rounded, fully supported, broad-based effort to save the plant in Flint.

The question that I raise has to do with—you mention 4,500 employees I think now. Is that right?

Mr. **Schmidt**. That is correct.

Mr. **Stevens**. That was the number at that time, yes.

Mr. **Hayes**. What is the number now?

Mr. **Stevens**. Presently?

Mr. **Hayes**. Presently.

Mr. **Schmidt**. 4,500. That is the current number.

Mr. **Hayes**. I am trying to get—I notice you have some 223 robots—they obviously replace some human hands—and 150 automatic guided vehicles in the plant. Did you lose any employees? Or did the plant expand by that?

Mr. **Stevens**. The automatic guided vehicles replaced the conveyor that carried a motor.

Mr. **Hayes**. Oh.

Mr. **Stevens**. And what they did in place of that—you now have the automatic guided vehicle on the floor that takes it from station to station, and ergonomics was taken into consideration where the job now comes up to the employee. He does not have to bend over or twist or anything. There was a lot of things built into that. And you have that for the chassis, which was on a conveyor system, and the engine.

Robots—I am sure there was some change in manpower because of robots, but——

Mr. **Hayes**. I am not against it. I think it is good and well that you retrain people and bring them up to the age we live in. But ofttimes there are casualties, people who do not make it, who are not able to conform with the new regulations in the technological age we live in. And what happens to—did you have any in Buick City who we could categorize as casualties as a result of this retraining program?

Mr. **Stevens**. We had some people that resisted to some degree, but once they got into the program, they found out—you know, it was just fear is what it was.

I think if you are talking about one casualty, yes, we had one casualty. And we just kept the flexibility built in there because now here is a person that is going into the classroom, and all of a sudden his blood pressure is way up. And it is either him having a heart attack because of his health conditions, or going back to work. So, we just put him back on the floor. We just did not give him any training, and he is still there.

Mr. **Hayes**. No, I am going much beyond that. General Motors has recently notified some 13 or so different plants that they are going to close down. Some of them are not in my district. They are in the Chicago area. And I am just trying to see if it is possible through this kind of program to maybe salvage some of those plants and some of those jobs. I do not know. But they have just stated—they have just issued the notice. People are concerned about what is going to happen to them. That is the reason I raise the question.

Mr. **Stevens**. Had we not done this back then and got our plan, we would have had between the Fisher 1 plant closing and Buick assembly closing, over 6,000 people out on the street.

Mr. **Hayes**. Thank you, Mr. Chairman.

Mr. **Kildee** (presiding). Mr. Sawyer.

Mr. **Sawyer**. Thank you, Mr. Chairman.

Just a comment before I ask a couple of questions. It seems to me that what you are doing—I do not want to use a word like "invented" because I do not think you have invented, but you are in the process of inventing a whole new approach to human redevelopment and the retooling of the human work force in the work place.

It seems to me that what you have done is to take the infrastructure of the whole range of educational institutions and focused their skills and tools, as well as those of the vendors, on the work place itself as a productive test bed, a place wherein that retooling can take place instead of sending people out to do their own shopping.

Mr. Ballenger mentioned a tendency that we have around here both to so constrain the programs that we seek to bring about that they cannot function. And when we find that not to work, that we go over to the opposite end and argue that we ought to completely unfetter that kind of approach and offer the opportunity for the worker who needs retraining to go out and shop in the marketplace among all of the diverse folks who offer retraining of various kinds.

I have heard you comment about the importance of flexibility. And I buy that entirely. Could you comment on what might have happened had you taken that other extreme and provided credits or certificates or the equivalent cost of the retraining that has been invested in this program to individual workers to go out and find their own way in the marketplace?

Mr. **Schmidt**. The question as I understand is rather than have the company direct the retraining program, that the monies would be made available directly to the participants, or as we choose to call them students, to go retrain themselves.

Mr. **Sawyer**. Yes. That if all the resources were available in the community and conceivably by a completely unfettered approach, that they might have been given the financial equivalent of what you spent on them and urged to go out and find their own way. That is essentially the thrust of the question.

Mr. **Schmidt**. I am not sure if that would have directly related to the situation that we had. And again coming back to the flexibility issue, the situation that we had in our particular case that may not exist elsewhere was that here are a group of General Motors employees who will be displaced unless the factory that we are involved in can be upgraded, reconverted and new technology installed.

In our particular case, we could not allow the flexibility of individual workers to go seek their own training. Because if we were to have done that, they would have probably not sought after the type of training that related directly to their job. And therefore when they got to the new plant, the new work place, they would not have had the skills that they needed.

Mr. **Sawyer**. It would not have worked in short?

Mr. **Schmidt**. It would not have worked.

Mr. **Sawyer**. Thank you. If we were to seek to offer the lessons to other places in the country in a way that the effort would focus on the work place itself, would we be well guided to do so?

Mr. **Stevens**. I think that it can work. I think that what you have got to do, and I mentioned that earlier, you know, you talk about flexibility. Yes, it has got to be there, you know. But if you take a small company or a large company, you have studied that. And if you are running that company, you know whether your profits are up or down or what you have got to do or layoff. And what can I do to stop that layoff, or what can I do to make more profits.

If you put a study team together, to have total input, and total commitment and flexibility to make changes, and then provide some monies up front because you want to retrain, I think that you are going to stay in business longer than somebody who sits back and says let somebody else do it.

Mr. **Sawyer**. And would you urge us to me make sure that those elements that you have mentioned, the management and the representatives of the work force within the plant itself, the kinds of elements within the educational infrastructure and the working vendors associated with that plant, are critical elements, and would be common in most settings that we would seek to see this sort of thing applied across the country?

Mr. **Stevens**. They are all key elements of getting the job done. You have to touch all bases. You cannot leave anybody out.

Mr. **Schmidt**. I would caution, however, not to tie the hands of communities to the same model that we were tied to. You may not have the appropriate educational institutions, the cooperation of labor and management that exists in every area, and still the critical need for retraining is there. So I would caution against tying the hands of other communities in the same manner that the Flint community dealt with that problem.

Mr. **Sawyer**. May I continue, Mr. Chairman.

Mr. **Kildee**. Certainly.

Mr. **Sawyer**. That raises another question then. If one of those critical elements through no fault of perhaps one of the willing participants were absent, if the bargaining unit was for one reason or another reluctant to participate, uncertain of its own future or the management of the plant, or if in fact there did not exist appropriate training facilities within the community itself, is that the sort of flexibility that we ought to say go ahead and proceed anyway without that element, or that we ought to say find some appropriate substitute for that element.

I guess I am asking you are all of those elements critical to the success of the undertaking in your experience?

Mr. **Schmidt**. The concern that I would have is if you encouraged and in a sense forced the community and the industry to find a substitute for one of the missing elements, that the training process might be hindered at that point.

Mr. **Sawyer**. I am trying to get to this point. We spend money sometimes in ways that provide so much flexibility that when you make the investment—anywhere a critical element is absent. We say okay, go ahead and do it anyway. And we wind up with a formula for failure, because we did not understand just how vital it was to have each of the elements represented in one flexible way or another.

If for example the management of the plant were unwilling in that particular setting to do it, and it was not a requirement that there be a management-labor team coming together to form the aegis for this, it just seems to me that we have got a formula for failure there.

The form that it takes ought to be as flexible as all of the diversity of a country. But it seems to me that we ought to know what the elements are that are critical to success.

Mr. **Schmidt**. Based on our experience, there would have been a high degree of risk had we not had all of the elements focused together toward the common goal.

Mr. **Stevens**. I think that one of the things that you are looking for, too, is if you have got seven elements out of eight, what do you do for the eighth one.

An example is the Saginaw factory of the future. They are going through quite a change up there. They are getting 380 robots in from GMF which we have in our plant. They were not in a position to spend the monies to put a large training center in. So what they did was contact us, and we worked in so many of their people with so many of our people, and were given a period of time to train their folks, because they did not have the capital investment at that time.

Those types of programs can be instituted, too. The Fisher I plant which we know at the end of December is supposed to be closed, we are working out some type of program now to give some training hopefully that will help those folks to get another job.

So you know, there are other plants out there, too, that could offer us some things. And maybe this type of study group that I talked about earlier could take a look at that overall picture and say we have got this here, so we could divert this money someplace else and keep all of the key elements working at all times, just have the locations where they are at. Then the money is well spent.

Mr. SAWYER. Thank you, Mr. Chairman. Thank you very much for your answers.

Mr. KILDEE. Thank you. I think that it has been an excellent line of questioning. Perhaps Congress would not want to mandate a certain modality or a certain form, but it might want to encourage the cooperation of the various elements to give incentives for the cooperation, or at least not for disincentives.

Very often our tax policy and various other policies of government would put in disincentives. So perhaps we could make sure that we encourage and give some incentives for such cooperation between the various elements. And I appreciate that line of questioning, Mr. Sawyer.

Your testimony has been excellent. I know that your program saved jobs in Flint. It brought together elements that had been working separately for people for many years including the educational institutions. We brought people together there that had been working at various levels of a person's development, and they came together in four institutions.

Educational institutions could say here is a person who has needs, basic skill needs and technical training needs. And they came together and delivered those services to those people.

It is interesting, too, that not only did they give them the technical needs. But after that program, people had achieved internally a great deal. They had perfected basic skills. They themselves felt a lot better about themselves. And that is very important, I think, too.

And I think in light particularly of Mr. Sawyer's questioning here that if we can somehow give encouragement and incentives, and certainly not disincentives for this type of cooperation, we might have a good model for helping our workers perfect themselves. And I really appreciate your testimony here this morning, and look forward to meeting again with you both here and back in Flint.

Mr. STEVENS. We thank you very much for allowing us to be here.

Mr. SCHMIDT. Thank you very much, Mr. Chairman.

Mr. KILDEE. I think I will let Mr. Jeffords welcome the next panel to the table there and join with the next panel. So I will turn the mike, not the gavel but the mike to Mr. Jeffords.

Mr. JEFFORDS. Thank you, Mr. Chairman. It is a pleasure to be here. I am sorry that I have not been with you more this morning, because this is an extremely important hearing with respect to what we can do to help our dislocated workers. Unfortunately, we also had a hearing on dairy which is also an important issue for my state and to the Farm Credit System.

We have an interesting panel coming up. As you may know, the worker readjustment assistance program is the cornerstone of the Administration's new proposal; to help our dislocated workers and to try to deal with the plant closings issue.

Under that proposal, we had six grants that were given to various areas to try and find out just how this program would work, one of those was in my State, Vermont. Canada has had a program in existence for some time, and one that we modeled our bill after and one the Brock task force came up with.

The Canadians have had excellent experiences in this regard. As you may know, the Chairman and I have traveled to Toronto to talk first hand to plant people who had worked there.

This morning we have with us Mr. Donald DeJong, the manager of the Canada Industrial Assistance Service, which provides tremendous help to the workers in assisting plants that are going out of business, or relocating.

In addition, we have the Honorable James Guest, Secretary of Development and Community Affairs in the State of Vermont. He has taken an active interest in these problems, as Vermont has had many plant closings as a result of the easing out of the textile and machine tool industries.

Also we have with us today, Mr. Robert Leech, who is the chairman of the Goodyear Manpower Reemployment Committee. He is also President of business, planning and improvement of businesses in Brownsville, Vermont, a beautiful little community nestled in the hills.

The Goodyear plant gave its workers six months notice. And as you know, plants around the country are doing similar things.

So I am very pleased to be here with these distinguished gentlemen and look forward to listening to their testimony.

Mr. KILDEE. I welcome all of them here this morning. Mr. DeJong, from Canada. I note every day as I drive by that the Canadian government is building their Embassy on Pennsylvania Avenue. We are delighted to see that. I noticed that they work with the Congress and the White House, because they are in between the Congress and the White House in that location. As a matter of fact, a little closer to the Congress.

I know that President John F. Kennedy would be delighted to have the building there, as much as he was trying to rebuild the Main Street of America, and Canada certainly is contributing a great deal with the beautiful building for that Main Street. We welcome you here this morning.

Mr. DEJONG. Thank you.

Mr. KILDEE. Shall we start out with Mr. DeJong.

STATEMENT OF DONALD DEJONG, MANAGER, CANADIAN INDUSTRIAL ADJUSTMENT SERVICE

Mr. DEJONG. I would like to thank you for extending an invitation for a representative of the Industrial Adjustment Service of

Employment and Immigration Canada to appear before you today. It is indeed an honor.

This presentation will provide a very brief description of the Industrial Adjustment Service, its mission, objectives, principles, criteria and administration.

But before I start I should put in context the fact that the Employment and Immigration Commission is in fact a federal agency that has a responsibility for direct delivery of service to the public at the local level. And like our other programs, the Industrial Adjustment Service is highly decentralized and is delivered through our regional offices located in each province.

The Industrial Adjustment Service or I will call it IAS, if you do not mind, was established in 1963 under its original name, the Manpower Consultative Service, to promote joint action by employers and employees in dealing with human resource problems.

At that time, automation and resultant work force reduction were the prime concerns. The mandate of the program was broadened from downside adjustment in the mid-1970s to include upside adjustment or human resource problems accompanying plant expansion or other technological change.

IAS is a vehicle that addresses employment adjustment and human resource planning resulting from layoffs, terminations, threat of layoff, plant expansion and start-up, technological change and other work place problems.

Now we have only a sense that the rate of work force change in Canada is increasing. But we know that the demand for our program rose dramatically in the early 1980s.

The objective of IAS is to encourage workers and management to work together to identify and find their own solutions to work force problems. IAS facilitates and expedites work force adjustments, and by doing so encourages and facilitates necessary economic, technological and other industrial changes.

I should add that IAS assists not only at the firm level, but it also assists at association and community levels to address worker adjustment needs.

It operates based on several key principles. They are that to be successful that participation must be voluntary. In adjustment situations, the impact is on the firm and the worker, so we believe that the key to finding the best solution lies in joint employer-worker action through formally structured committees.

Another principle is that private sector adjustment or private sector initiatives sometimes require government support. And through advanced planning, preventive and timely action can be taken in solving adjustment situations.

We believe that a flexible non-bureaucratic approach is most effective. And finally, it is essential that the collective bargaining process cannot be interfered with. Whenever there is a collective bargaining problem, we simply have to withdraw.

I.A.S. provides a range of services. For firm level agreements, we normally have a 24 hour response time. And depending on the complexity of negotiations, the agreement is usually signed within one week.

Financial assistance covers allowable expenses related to the work of the joint labor-management committee. And while IAS does not provide direct financial support for training and recruiting expenses that arise out of the committee's deliberations, IAS can use other commission programs and services, and technical assistance is provided to the joint committee by an experienced officer. And if necessary, and I repeat only if necessary, adjustment or assistance is provided to gain access to other public programs.

The IAS approach is structured in the following way. A formal agreement is signed with all interested parties essentially including the worker representatives and the employer, and sometimes or often including other government departments and agencies.

The agreement covers the financial terms and conditions under which the Joint Adjustment Committee operates, and sets out the responsibilities and objectives of the committee.

The adjustment committee has equal representation from the employer and the employees. The workers and management choose an independent chairperson from business, labor or university communities.

Our service normally reimburses up to 50 percent of the joint committee's expenses including the chairperson's fee, committee administration, wages of committee members while they are serving on the committee, and research on issues such as productivity and management systems.

Now under our regulations for cost share agreements with individual enterprises, the Commission can reimburse up to $200,000 of committee expenses. And for nonprofit organizations and for bankruptcy situations where we have to pay 100 percent, our limit is $100,000.

However, our average agreement is much less expensive. For example, the average cost of IAS agreements in layoff situations completed during last year was $14,600 for a total cost of which our share, remember that must of this is cost share, our share was $6100.

In a layoff situation, the committees usually spend quite a bit of time convincing themselves that the layoffs are inevitable. Business plans are reviewed, sources of funding are explored, and the adverting of layoffs through work sharing agreements or early retirement plans are considered. If the layoff is indeed considered inevitable, then the committee gets down to the business of helping each affected worker.

The committee registers all effected workers who wish to help or wish help in finding alternate employment in order to determine both their current skill level and their experience, and the preferences of those workers for the type and location of employment.

Typically about 80 percent of the workers affected seek assistance. The other 20 percent seem to want to do it on their own.

The committee explores the possibility with the firm itself for providing alternative employment either in other locations or in other operating elements of the same location. Relocation assistance or training may be required at that point.

The committee taps the contacts of the chairperson, the employer, and worker representatives for potential employment opportunities. In other words, competitors, suppliers and customers using a direct sales approach.

Most of the labor market in Canada, about 75 percent, is not organized by placement agencies, and it is the unorganized part of the labor market that we try to tap using these contacts.

The committee arranges for such measures as creative job search techniques through either our own employment centers or through provincial agencies, whichever they feel is the best in their area.

Oftentimes we will provide financial counseling to deal with debt management and how to deal with severance pays. Because after all, these people are on one hand facing unemployment, and on the other hand they are going to get the biggest paycheck of their life if they have a large severance pay.

The committee arranges for registration of workers for Unemployment Insurance, and arranges for other commission and provincial programs where warranted.

In 1985-1986, completed Industrial Adjustment Service agreements which were signed at the firm level covered 47,000 workers. Of these, 32,000 requested assistance, and about in fact 28,000 were in fact helped. This was at an average cost of $321, but that included the private sector contribution. The average cost to us was $115 per worker assisted. I guess that our batting average was about 88 percent in that case in that year.

We had a program evaluation that was conducted in 1985, and the period covered was 1982-1983. It was a time of fairly deep economic recession in Canada and high unemployment. Based on interviews and surveys of employers, workers and committee chairpersons and a panel of experts, the evaluation found that the Industrial Adjustment Service to be well serviced by its officers, and delivered quickly, flexibly and effectively. The evaluation also found the general view that the IAS approach had contributed to an overall improved labor-management relation atmosphere. That is hard to quantify, though.

The evaluation also analyzed the cost effectiveness of IAS, and it was found that the program cost in 1982-1983 was some $93 per participant while saving $710 per participant in layoffs avoided, shorter periods of Unemployment Insurance, et cetera.

I will end this presentation by reiterating the message that IAS is based on the concept that the private sector solutions supported by government action to worker adjustment problems provide the best results for us. Thank you, sir.

[The prepared statement of Donald DeJong follows:]

INDUSTRIAL ADJUSTMENT SERVICE

PRESENTATION TO THE CONGRESSIONAL COMMITTEE ON EDUCATION AND LABOUR

EMPLOYMENT & IMMIGRATION CANADA
LABOUR MARKET SERVICES
MARCH 1987

I WOULD LIKE TO THANK YOU FOR EXTENDING AN INVITATION FOR A REPRESENTATIVE OF THE INDUSTRIAL ADJUSTMENT SERVICE OF EMPLOYMENT AND IMMIGRATION CANADA TO APPEAR BEFORE YOU TODAY. IT IS AN HONOUR.

THIS PRESENTATION WILL PROVIDE A BRIEF DESCRIPTION OF THE INDUSTRIAL ADJUSTMENT SERVICE, ITS MISSION, OBJECTIVES, PRINCIPLES, CRITERIA AND ADMINISTRATION.

BEFORE I START I SHOULD EXPLAIN THAT EMPLOYMENT AND IMMIGRATION CANADA IS A FEDERAL AGENCY BUT HAS A RESPONSIBILITY FOR DIRECT DELIVERY TO THE PUBLIC AT THE LOCAL LEVEL. THE INDUSTRIAL ADJUSTMENT SERVICE (IAS) IS A HIGHLY DECENTRALIZED PROGRAM DELIVERED THROUGH OUR REGIONAL OFFICES LOCATED IN EACH PROVINCE.

YOU MAY BE FAMILIAR WITH IAS, BUT UNDER ITS ORIGINAL NAME, THE MANPOWER CONSULTATIVE SERVICE. IAS WAS ESTABLISHED IN 1963 TO PROMOTE JOINT ACTION BY EMPLOYERS AND EMPLOYEES IN DEALING WITH HUMAN RESOURCE PROBLEMS. AT THE TIME, AUTOMATION AND RESULTANT WORK FORCE REDUCTION WERE THE PRIME CONCERNS. IAS' MANDATE WAS BROADENED IN 1974 TO ENCOMPASS HUMAN RESOURCE PROBLEMS ACCOMPANYING PLANT EXPANSION AND OTHER INDICES OF ECONOMIC GROWTH AND MODERNIZATION.

AS WE ALL REALIZE, INDUSTRIAL GROWTH AND DEVELOPMENT USUALLY GENERATES NEW OR MORE EMPLOYMENT OPPORTUNITIES. HOWEVER, AS WE ALSO KNOW, INDUSTRIAL AND EMPLOYMENT FACTORS OFTEN AFFECT EACH OTHER IN A LESS POSITIVE MANNER.

ON THE ONE HAND, NEW TECHNOLOGY, PLANT RELOCATIONS, AND OTHER ELEMENTS OF INDUSTRIAL CHANGE SOMETIMES DISLOCATE WORKERS. ON THE OTHER HAND, HUMAN RESOURCE PROBLEMS MAY RETARD INDUSTRIAL GROWTH, SUCH AS WHEN SHORTAGES OF SKILLED WORKERS SLOW THE PACE OF CHANGE. AS A RESULT, IAS' MANDATE IS TO BALANCE BOTH SIDES OF THE EQUATION, SO CANADA CAN HAVE AN ECONOMY CAPABLE OF GROWTH AND ADAPTATION, WHICH DOES NOT PLACE AN UNDUE BURDEN ON SPECIFIC INDIVIDUALS, GROUPS OR REGIONS.

IAS IS A VEHICLE THAT ADDRESSES EMPLOYMENT ADJUSTMENT AND HUMAN RESOURCE PLANNING RESULTING FROM LAYOFFS, TERMINATIONS AND THE THREAT OF LAYOFF, PLANT EXPANSION AND START UP, TECHNOLOGICAL CHANGE AND OTHER WORK-PLACE PROBLEMS.

WE KNOW THAT THE DEMAND FOR IAS ROSE DRAMATICALLY DURING THE EARLY 1980s AND WE NOTICE AN INCREASING DEMAND FOR COMMUNITY AND ASSOCIATION AGREEMENTS AND FOR MOBILITY AGREEMENTS INVOLVING THE RELOCATION OF WORKERS IN REMOTE, ISOLATED AREAS.

THE OBJECTIVE OF IAS IS TO ENCOURAGE WORKERS AND MANAGEMENT TO WORK TOGETHER TO IDENTIFY AND FIND THEIR OWN SOLUTIONS TO WORK FORCE PROBLEMS.

IAS FACILIATES AND EXPEDITES WORK FORCE ADJUSTMENTS AND BY DOING SO, ENCOURAGES AND FACILITATES NECESSARY ECONOMIC, TECHNOLOGICAL AND OTHER INDUSTRIAL CHANGES.

IAS ASSIST FIRMS, ASSOCIATIONS AND COMMUNITIES TO ADDRESS WORKER ADJUSTMENT NEEDS.

IAS WORKS FROM SEVERAL KEY PRINCIPLES OF LABOUR MARKET ADJUSTMENT. THEY ARE:

- TO BE SUCCESSFUL, PARTICIPATION MUST BE VOLUNTARY.

- IN ADJUSTMENT SITUATIONS, THE IMPACT IS ON THE FIRM AND THE WORKER AND SO THE KEY TO FINDING THE BEST SOLUTION LIES IN JOINT EMPLOYER-WORKER ACTION, THROUGH A FORMALLY-STRUCTURED JOINT COMMITTEE.

- PRIVATE SECTOR ADJUSTMENT INITIATIVES SOMETIMES REQUIRE GOVERNMENT SUPPORT.

- THROUGH ADVANCE PLANNING, PREVENTIVE AND TIMELY ACTION CAN BE TAKEN IN SOLVING ADJUSTMENT SITUATIONS.

- A FLEXIBLE, NON-BUREAUCRATIC APPROACH IS MOST EFFECTIVE.

- FINALLY, THERE CAN BE NO INTERFERENCE IN THE COLLECTIVE BARGAINNING PROCESS.

IAS PROVIDES A RANGE OF SERVICES. FOR FIRM LEVEL AGREEMENTS, THERE IS NORMALLY OF 24 HOUR INITIAL RESPONSE TIME. DEPENDING ON THE COMPLEXITY OF NEGOTIATIONS, THE AGREEMENT IS USUALLY SIGNED WITHIN ONE WEEK. FINANCIAL ASSISTANCE COVERS ALLOWABLE EXPENSES RELATED TO THE WORK OF THE JOINT LABOUR-MANAGEMENT COMMITTEE. WHILE IAS MAY NOT PROVIDE DIRECT FINANCIAL SUPPORT FOR TRAINING AND RECRUITING EXPENSES ASSOCIATED WITH IMPLEMENTATION OF THE RECOMMENDATIONS OF COMMITTEE, IAS MAY USE OTHER EIC PROGRAMS AND SERVICES. TECHNICAL ASSISTANCE IS PROVIDED TO THE JOINT COMMITTEE BY EXPERIENCED IAS OFFICER. IF REQUIRED ASSISTANCE IS PROVIDED TO GAIN ACCESS TO OTHER PUBLIC PROGRAMS (FEDERAL AND PROVINCIAL).

THE IAS APPROACH IS STRUCTURED IN THE FOLLOWING WAY.

A FORMAL AGREEMENT IS SIGNED WITH ALL INTERESTED PARTIES INCLUDING WORKER REPRESENTATIVES, THE EMPLOYER, AND OFTEN OTHER GOVERNMENTS OR AGENCIES. THE AGREEMENT COVERS THE FINANCIAL TERMS AND CONDITIONS UNDER WHICH THE JOINT ADJUSTMENT COMMITTEE WILL OPERATE, AND SETS OUT THE RESPONSIBILITIES AND OBJECTIVES OF THE COMMITTEE.

THE ADJUSTMENT COMMITTEE HAS EQUAL REPRESENTATION FROM THE EMPLOYER AND EMPLOYEES. THE WORKERS AND MANAGEMENT CHOOSE AN INDEPENDENT CHAIRPERSON FROM THE BUSINESS, LABOUR OR UNIVERSITY COMMUNITIES.

IAS NORMALLY REIMBURSES UP TO 50% OF THE JOINT COMMITTEE'S EXPENSES, INCLUDING:

- THE CHAIRPERSON'S FEE
- COMMITTEE ADMINISTRATION
- WAGES OF COMMITTEE MEMBERS WHILE THEY ARE SERVING ON THE COMMITTEE
- RESEARCH ON ISSUES SUCH AS PRODUCTIVITY, MANAGEMENT, SYSTEMS, ETC.

UNDER OUR TERMS AND CONDITIONS, FOR AGREEMENTS WITH INDIVIDUAL ENTERPRISES EIC MAY REIMBURSE UP TO $200,000 OF COMMITTEE EXPENSES AND FOR NON-PROFIT ORGANIZATIONS AND IN BANKRUPTCY SITUATIONS, IAS MAY REIMBURSE UP TO 100% OF COSTS TO A MAXIMUM OF $100,000. HOWEVER, OUR AVERAGE AGREEMENT IS MUCH LESS EXPENSIVE. THE AVERAGE COST OF IAS AGREEMENTS FOR LAYOFF SITUATIONS COMPLETED DURING THE PERIOD FROM APRIL 1, 1986 TO DECEMBER 31, 1987, IS $14,600 OF WHICH EIC'S SHARE IS $6,100.

IN A LAYOFF SITUATION THE COMMITTEE USUALLY SPENDS SOME TIME CONVINCING ITSELF THAT THE LAYOFFS ARE INEVITABLE. BUSINESS PLANS ARE REVIEWED, SOURCES OF FUNDING ARE EXPLORED AND THE AVERTING OF LAYOFFS THROUGH A WORK SHARING AGREEMENT OR AN EARLY RETIREMENT PLAN ARE CONSIDERED. IF THE LAYOFF IS INEVITABLE THEN THE COMMITTEE SEEKS TO HELP EACH AFFECTED WORKER.

THE COMMITTEE REGISTERS ALL AFFECTED WORKERS WHO WISH HELP TO FIND ALTERNATE EMPLOYMENT IN ORDER TO DETERMINE BOTH THE CURRENT SKILLS AND EXPERIENCE THAT ARE BECOMING AVAILABLE AND THE PREFERENCES OF WORKERS FOR TYPE AND LOCATIONS OF EMPLOYMENT. TYPICALLY SOME 80% OF THE WORKERS ASK FOR HELP.

THE COMMITTEE EXPLORES THE POSSIBILITY OF THE FIRM ITSELF PROVIDING ALTERNATE EMPLOYMENT, EITHER IN OTHER LOCATIONS OR IN OTHER OPERATING ELEMENTS AT THE SAME LOCATION. RELOCATION ASSISTANCE OR TRAINING MAY BE REQUIRED

THEN THE COMMITTEE TAPS THE CONTACTS OF THE CHAIRPERSON, EMPLOYER AND WORKER REPRESENTATIVES FOR POTENTIAL EMPLOYMENT OPPORTUNITIES, I.E. COMPETITORS, SUPPLIERS AND CUSTOMERS USING A DIRECT SALES APPROACH;

IT ARRANGES FOR CREATIVE JOB SEARCH TECHNIQUE TRAINING THROUGH CANADA EMPLOYMENT CENTRES (OR PROVINCIAL AGENCIES);

PERHAPS FINANCIAL COUNSELLING IS REQUIRED TO DEAL WITH DEBT MANAGEMENT, SEVERANCE PAYMENTS, ETC.;

THE COMMITTEE ARRANGES FOR REGISTRATION OF WORKERS FOR UNEMPLOYMENT INSURANCE; AND

ARRANGES FOR OTHER EIC, PROVINCIAL PROGRAMS WHERE WARRANTED.

IN 1985-86, COMPLETED IAS AGREEMENTS WHICH WERE SIGNED WITH FIRMS COVERED 47,254 WORKERS. OF THESE, 32,221 WORKERS REQUESTED ASSISTANCE AND 28,447 WORKERS WERE ASSISTED AT AN AVERAGE COST OF $321 PER WORKER (INCLUDING PRIVATE SECTOR CONTRIBUTIONS TO THE AGREEMENTS). THE AVERAGE EIC CONTRIBUTION WAS $115 PER WORKER ASSISTED. THE PERCENTAGE COMPARISON BETWEEN WORKERS REQUESTING ASSISTANCE AND WORKERS ASSISTED IS 88%.

AN EVALUATION OF IAS WAS CONDUCTED IN 1985. THE PERIOD COVERED WAS 1982-83, A TIME OF DEEP ECONOMIC RECESSION AND HIGH UNEMPLOYMENT. BASED ON INTERVIEWS AND SURVEYS OF EMPLOYERS, WORKERS, COMMITTEE CHAIRPERSONS, AND A PANEL OF EXPERTS, THE EVALUATION FOUND IAS TO BE WELL SERVICED BY ITS OFFICERS, AND DELIVERED QUICKLY, FLEXIBLY AND EFFECTIVELY. THE EVALUATION ALSO FOUND THE GENERAL VIEW THAT THE IAS APPROACH HAD CONTRIBUTED TO IMPROVED LABOUR-MANAGEMENT RELATIONS.

THE EVALUATION ALSO ANALYSED THE COST-EFFECTIVENESS OF IAS. IT FOUND THE PROGRAM COST TO BE (IN 1982-83) SOME $93 PER PARTICIPANT, WHILE SAVING SOME $710 PER PARTICIPANT IN LAYOFFS AVOIDED, SHORTER PERIODS ON UNEMPLOYMENT INSURANCE, ETC.

I WILL END THIS PRESENTATION BY REITERATING THE MESSAGE THAT IAS IS BASED ON THE CONCEPT THAT PRIVATE SECTOR SOLUTIONS SUPPORTED BY GOVERNMENT TO WORKER ADJUSTMENT PROBLEMS PROVIDE THE BEST RESULTS.

Mr. KILDEE. Thank you very much, Mr. DeJong. Secretary James Guest.

STATEMENT OF JAMES A. GUEST, SECRETARY, AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS, STATE OF VERMONT

Mr. GUEST. Thank you very much, Mr. Chairman. I am delighted to have the opportunity to be here and talk about our experience in Vermont with the Industrial Adjustment Committees. We are proud of the fact that Vermont is the first state to have implemented this approach to dealing with situations of plant closings and substantial layoffs. And I would like to share some of our thoughts from that Vermont experience.

I might just note, of course, that the best approach of all to potential worker dislocation programs is to have a strong and vigorously expanding economy, and we do have that in Vermont today with an average unemployment rate that is at the lowest level in over ten years, an increase in new jobs last year, and a rate of increase that was 50 percent higher than the national rate. And we ranked number one in terms of the rate of new business and corporations in the United States.

So overall, things are strong. But of course, even with a strong economy, we have serious and any state is going to have serious individual situations which can have a devastating impact on workers and their families. And that has what led us to look into and then to implement this Canadian style approach to Industrial Adjustment Committees.

We started in the summer of 1986, and then again in the fall with two companies in Vermont where we did establish the Industrial Adjustment Committees. And we have heard different situations talked about today. In one case there was a plant closing, and in the other case it was a substantial layoff. In one case it was due to foreign competition, and in the other case it was not due to international factors, and one was a unionized situation and one was a non-union. So we really got a diversity of experience in dealing with the two companies that have been involved here.

The first company was the Schmelzer Corporation of Bennington, which was forced to lay off 87 or so employees out of something over 200 over a period of several months last year. Schmelzer had the situation, because they manufactured carburetor parts for General Motors. But as you know, cars have now gone to fuel injection rather than carburetors. And basically, the market disappeared for them. It was not an international competition problem in this case, but the question that the market just dropped out.

We had been to Canada earlier in the year looking at the model up there. We went to Schmelzer and said, hey, we think that we have gotten an approach that makes sense for you. And initially, they were not interested and turned down on the idea.

We went back and we gathered some more information from Canada, and we offered a small amount of money to help support that operation. And to their credit, the management did after thinking it over decide to go ahead and participate. And they would now say that they are very glad that they did, and that the experience was worthwhile.

My staff met both with company officials, management and workers. As I said, we paid for the hiring of a consultant who was chosen by management and labor. They together made that decision. It was an independent consultant from outside who could serve as a kind of neutral facilitator in the work here.

And the committee included, as I said, three from management and three from labor. The committee itself had several meetings and met regularly once a week to talk about ways that they could try to find employment and ease the transition problem for the laid off personnel.

They had their personnel manager put in twelve to fifteen hours a week working specifically on this project, and did a number of things. They held weekly meetings with the employees who had been laid off or who were about to be laid off. They had a job skills survey to try to determine what skills the employees had, and how they might match that up with other employment available in the state.

They did a variety of things. Training procedures from writing resumes to how to go about an interview, and to some individual counseling on a particular job hunt or job hunting situation that an employee had where he wanted some guidance or he or she wanted some guidance or some help.

The committee worked very closely with the Vermont Job Service, which is the local body working on job placement and training in the area of Bennington. The committee took ads and the company took out ads, made phone calls to employees, published a newsletter that got circulated to the employees, and basically brought people in and kept them informed.

And I can give you a couple of quotations from employees to did participate in the first even one that we did in the state. One woman at the point that she lost her job said, "I cried all day. I live alone and I support myself, and it was very scary." She was one of those who participated in those weekly meetings, got the help on resume preparing and interviewing, found herself a job.

And after she got that job, she had this to say, "The committee meetings definitely helped me get this job. I learned how to find a job, how to write a resume and how to present myself."

Another employee talked about just the encouragement from this process. In addition to actually some skills and finding a job he said, "It is an encouragement. To get to meet with people in the same position as you." And there is that kind of peer involvement or peer interaction that helps avoid the situation where somebody just feels lonely and left out there, and they do not know where to turn.

Another person said that the effort helped to keep your spirits up, and that carried over into successful job interviews. So in addition to the technical skills, just that kind of work made a difference.

The company itself also is quite pleased. They say basically that it allowed them to maintain their positive image in the community, and it met a corporate concern that they had there.

The other company where we had a program like this was the Goodyear Company in Windsor, Vermont. In October, they announced that they were going to shut down. They were closing their production of their shoe plant. They make soles, rubber soles, for shoes, and that now has all gone offshore. They simply could not compete in this case with the foreign competition, and announced that they were going to close.

They gave a substantial period of notice. This was back in October. They said that they were closing as of May 1st of this year.

Goodyear employees, 300 persons, which represents nearly two percent of the total work force in that Windsor County area of Vermont. Obviously, the impact was going to be devastating not only to the individuals, but to the community as a whole.

We had been in touch with Goodyear, and knew that they were trying to develop new markets, and reached a point where they could not do that. And the day after they made the announcement of the layoffs, we went there with officials from my agency and with officials from the employment agency, talked with the union, and talked with management, and suggested that they might want to try this approach.

The original response from management again was to say we will think it over, but there was a wariness about the idea, because it was in a sense breaking new ground. What we did was to encourage management to talk to the Schmelzer Corporation which had already gone through this.

And after that, they got enthusiastic and said yes, let's participate, and the union and management got together and formed an Industrial Adjustment Committee chaired by Mr. Leech, who is going to speak to you later about the experience there.

One of the things that helped was the pilot federal grant program that Congressman Jeffords talked about earlier. As the Congressman said, we were one of six states to be selected to participate in that.

And again I think that the infusion of a little bit of government money was useful. The company is paying a substantial part of the cost of the project, and some money I believe is coming from the union, but that sort of catalyst money from government was also helpful.

Again they have got a committee that Mr. Leech can talk about ranging from taking skills inventories to interviewing employees, and assessing local labor markets. They held a very successful job fair a couple of weeks ago, and basically finding ways to take advantage of all of the outside resources to help any employees requiring training or educational assistance.

You will hear about how that is going. I might just mention one other point on the Schmelzer situation. At last report, 75 to 80 percent of the employees had found employment. So that was quite successful. Some chose not to look for other jobs, but it has turned out to be a success in terms of finding employment.

The other direction that we hope that committee will go at some point is also trying to find ways, as the gentleman from Canada has talked about, to avoid the layoffs or the close-down in the first place through looking for new markets, new processes, new ways to save money and so forth.

So the experience to date as far as Vermont is concerned has been very, very positive. We will know more in a few months as to how the Goodyear situation worked out. But we do know that everyone is working together. And the notion of equal members of management and labor working together with the neutral party as a facilitator is an approach that both sides is saying is very constructive and positive.

Let me just conclude by giving five or six what I would call sort of lessons or observations from our experience in Vermont that will carry over as we do things in the future, and hopefully will be useful when and if a national program does get underway.

The state in this case or the government should not become intensely involved in the committee process itself. Basically, government should help set up the program, should help find the person to chair it, and then step out of the picture and let the local people from the company work together on their problems.

It needs a strong chair and a chair who is appropriate. There are different situations, and there will be different kinds of persons. You need a chairman or as a chairperson depending on the company's particular situation.

The committee obviously needs to have confidence in the chairman. The committee have got to be a safe haven for employers and employees, all within the company, to work out their problems and not be a forum where it is a competitive one side attacking the other. And that has not been the case in Vermont.

The program has got to be voluntary. You have got to have the willing cooperation, we are convinced, from both labor and management, or the potential for it breaking down is very great.

All parties involved, as I mentioned, I believe should share in the cost of the committee. There is something about buying into the process. It is not really how much is being shared of the cost, but the fact that it is happening I think encourages participation and taking it seriously on the part of all parties.

You need very strong support from the area job services. The local offices of our Department of Employment and Training have been critical to the success of the program in Vermont in both instances.

And obviously, it is important that all employees understand the process and understand what the committee is doing and how it is working, and that there be a lot of communication between the committee and the employees. And again that has been successful whether it is in meetings, or in newsletters or in other ways of communicating as in both companies in Vermont.

So that in a nutshell is what we have done up there. It has been very successful, our experience in Vermont, and it is clearly helping both to ease the transition of the workers who are being laid off and to speed the transition.

We heard some figures earlier in Canada, that the acceleration of the time of finding another job when these committees have been effect.

Both workers and management in Vermont would give very strong positive reviews in terms of how it has worked in our state. And my conclusion to you is that I think that the idea makes sense.

As the gentleman from Canada said also, I think that it does make sense where the private sector is basically doing it with the catalyst coming from government. And I strongly support the proposal for a federal program to more widely encourage and stimulate support for these Industrial Adjustment Committees.

[The prepared statement of James A. Guest follows:]

TESTIMONY

of

JAMES A. GUEST, SECRETARY
AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS
STATE OF VERMONT

Before the

HOUSE COMMITTEE ON EDUCATION AND LABOR

Industrial Adjustment Committee Approach to Worker Dislocation

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MARCH 12, 1987

I am pleased to be here today, representing the Vermont Agency of Development and Community Affairs.

I'm proud of the fact that Vermont is the first state in the nation to have implemented industrial adjustment committees with companies facing closing or substantial outbacks, and I'd like to share some thoughts from Vermont's experience.

Of course the best approach to worker dislocation problems is to have a strong, vigorous, expanding economy. And in Vermont today our economy is very strong indeed - with average unemployment of 4.7% in 1986, a 3.9% increase in new jobs compared to a projected 2.6% nationally and a ranking of number one in the United States for new business incorporations.

We are proud of the programs we have established which have created such a favorable economic environment. At the same time, however, we are as committed to helping the economically distressed and displaced worker, as we are to maintaining a stable economy. And we must put programs in place to help those displaced workers. Industrial Adjustment Committee's (IAC's) are only part of an overall effort established in Vermont to help ensure we have a healthy economy. Here are some of the other programs we have in place:

—Job Zones—Laws were passed designating three job zone areas with special incentives to attract new businesses and spur expansion in areas of chronically high unemployment and low per capita income.

—Vermont Training Programs-classroom-training courses are provided and on-the-job training conducted in everything from machine tool skills to electronics assembly to mid-level management and leadership skills to workers in over 30 companies during the last two years.

—Lift—The new Lifetime Improvement in Training program combining state and Carl Perkins Act funds is designed to support innovative vocational education projects that meet actual development needs. The first project funded was a vocational training/upgrading program in state of the art automotive electronics done in conjunction with all the new car dealerships in the project area.

While not directly related to the establishment of IAC'S, these programs have proven to be extremely valuable in maintaining and upgrading the skills of our workforce to meet the varying needs of Vermont's industries.

Other programs are more clearly linked to our Industrial Adjustment Committee efforts. For example, in our Business Call Program, members of my Development Staff periodically visit key businesses throughout the state. Through this regular contact we get a feel for the overall health of a particular company and also keep important lines of communication open between the private and public sector.

Another initiative is our Early Warning System. This is a cooperative effort with the the Department of Employment and Training and the Economic Development Department. Through this program we

Another initiative is our Early Warning System. This is a cooperative effort with the the Department of Employment and Training and the Economic Development Department. Through this program we share internal confidential information about existing o potential problems facing a company. The Early Warning System has, in several cases enabled us to act in advance of a crisis to take steps to avert potential closings.

It is always our hope that these and other programs can help keep Vermont industries healthy and avoid the devastating economic impact of plant shutdowns. Prevention is always the best cure. It was this guiding concern that prompted us to establish the Industrial Adjustment Committee program.

Vermont became the first state in the nation to have a company form an adjustment council to prevent layoffs, following the model that's been successful in Canada for over 15 years. We've used the committees twice -- once to help a company facing lay-offs and another on the verge of shutting down.

Vermont first had the opportunity to use the system 18-months ago when the Schmelzer Corporation of Bennington was forced to lay-off 87 of its employees. Schmelzer had manufactured carburetor parts for General Motors, but suffered substantial business losses because of the emergence of fuel-injection in automobiles.

After meeting with company officials, we paid for the hiring of a consultant chosen by both management and labor to chair an adjustment committee. A job skills survey was established and weekly meetings held with employees to assist them with a variety of skill training procedures from resume writing to interviewing. We also worked very closely with the Job Service and found employment for a great number of the dislocated employees. Additionally, we worked with the company to help them look at ways to diversify or add to product lines. Schmelzer continues to employ 100 people in the area.

The "adjustment committee"—composed of three management staff, three workers and an outside chairperson—will help a threatened company develop new processes, markets, products, financing, marketing programs, and take any other steps to help a company avert lay-offs or a plant shut-down.

October of 1986 Vermont had the opportunity to apply the lessons learned in Canada, when the Goodyear Tire and Rubber Company announced it was closing its shoe production plant in Springfield, Vermont effective April 31, 1987. The shutdown was caused by the loss of the shoe products market to foreign competition and the possibility of a corporate takeover of Goodyear.

Goodyear employs 300 persons which represents nearly two percent of the total workforce in the Springfield area. The impact of the shutdown promised to be devastating, not only to the individuals but the community as a whole.

With the assistance of a $20,000 federal grant and the cooperation of the Goodyear Company and unions, we have been able to establish a well balanced committee, three each from management and labor with an outside consultant as chair, that appears to be functioning well.

It has taken a skills inventory of the workers, interviewed all employees, conducted an assessment of the local labor market, held a job fair and has taken advantage of all outside resources to help any employees requiring training or educational assistance.

We don't know how successful this program will ultimately be. We do know, however, that everyone has been working together to make sure the future is bright for the 300 employees who have given so much to Goodyear and the community.

As a result of our own experience and the research from Canada we can conclude that:

1. The state should not become intensely involved in the committee process. Essentially, the government unit should help set up the program and then step out of the picture.

2. A strong chairman should be hired. The committee should be a safe have for employers and employees to work out their problems, not a forum for one side to attack the other.

3. The program must be entirely of a voluntary nature. Without willing cooperation from both labor and management the potential for a breakdown in the process is great.

4. All parties involved should share in the cost of the committee.

5. Strong support from area job services is needed.

6. All employees must clearly understand the process and what is involved.

Mr. KILDEE. Thank you, Mr. Secretary. Mr. Leech.

STATEMENT OF ROBERT LEECH, CHAIRMAN, GOODYEAR MANPOWER REEMPLOYMENT COMMITTEE, WINDSOR, VT

Mr. LEECH. Thank you, Mr. Chairman. I would also like to thank you for inviting me here today. I would like to get right into the committee responsibilities and what has occurred to date. I would just like to start with the demographics of the Goodyear Rubber plant in Windsor, Vermont.

The main product, as Mr. Guest said, is rubber soles for the footwear industry. Goodyear has been located in Windsor, Vermont for fifty years. In fact, their fiftieth anniversary was October, 1986.

The union in residence is the United Rubber, Cork, Linoleum and Plastics Workers of America, an AFL-CIO-CLC affiliate.

The total number of employees is 300 workers. The breakdown of that is production 217, maintenance 32, salaried and management 51. The estimated number of employees to either retire or transition to other Goodyear plants is 124. The estimated number of employees that will require training assistance is 176 or 59 percent of the total population.

This breaks down into the following. There are about 127 employees who have skills directly related to the rubber industry. There are 19 employees who have possible transferable maintenance skills. And about 30 employees have managerial skills.

Now some of the 30 employees with the managerial skills will need training in order to bolster these skills, so that they will be marketable outside of the Goodyear Company.

Of the approximately 127 employees with skills directly related to the rubber industry, we estimate that about 74 or 58 percent will need extensive career counseling to help them identify a change in careers.

Take a look at the fact that the average employee has worked there some 21 years. And I have interviewed about 35 employees to date one on one. It is not uncommon to ask someone how long they have worked there, and for them to say 35, 36 or 40 years.

The 74 people, it could be even more than that. I have had a lot of people just sit there and tell me that we do not know what we are going to do after the plant closes in May. It is probably for most of them the first job and only job that they have ever had. And to do that after 21, 30 or 35 years is an awful scary venture.

The Windsor area labor market, the labor market area of Windsor of Vermont, and Claremont, New Hampshire will be directly affected by the plant shut-down. The plant's reside in a total of thirteen towns and communities in and around Windsor and Claremont, New Hampshire.

Therefore, the Springfield, Vermont labor market will also be affected. This is a labor market that has already experienced a loss of 2000 jobs over the past few years, which is a 33 percent reduction in manufacturing employment with no net growth.

The unemployment rate for the State of Vermont for the twelve month period ending October, 1986 was 4.3 percent. The current unemployment rate for the Springfield, Vermont labor market was 6.4 percent in October, 1986.

The reemployment committee activities. We call it reemployment activity, because we feel that that is really the focus of the committee itself, to assist people to be reemployed.

The activities performed to date. The first committee meeting was on December 15, 1986. We provided an explanation of the committee purpose and overall mission. The committee meetings are held weekly.

We also determined the method for keeping employees informed which turns out to be the plant weekly newsletter. We created a skills inventory analysis form, and circulated that throughout the plant. About 200 employees responded.

From the analysis of this form, we created a computerized skills inventory for each employee. This is used to assist in matching employee skills to job openings with companies that do not report openings to the job services offices.

In addition, we surveyed employees to identify financial and retirement planning needs, those interested in starting a small business, those requirement resume writing and job search assistance.

We also established a reemployment center in the plant. The reemployment center provides a private setting for one on one counseling, which is where I have conducted the interviews for about 35 employees. It formally establishes the reemployment committee's activities and efforts, and it provides a center for disseminating information in addition to the plant's weekly newsletter.

In February, Goodyear corporate industrial relations personnel conducted employee information sessions for one week. The purpose was to explain their benefit programs. This was done by age group and years of service.

Also in February, as Jim Guest spoke to earlier, there was a job fair conducted on Saturday, February 28th. The Goodyear Company was the host at a regional job fair that was jointly sponsored by the local TV Channel 31 of Vermont and New Hampshire job services and the Goodyear Company.

Approximately 55 companies were represented, and approximately 1200 people attended the job fair. Over 150 Goodyear employees attended the job fair. The reaction was very favorable by all parties. It was a very positive reaction from both the company's representatives and the individual employees who attended.

It is a little early at this point to tell the actual results, but there have been many verbal comments made that there have been job offers made to different individuals. But we are all in the process of trying to follow up with that information.

The manpower reemployment committee is set up and conducted employee information sessions on the following topics, job services organizations and the services that they provide. This was to allow the employees to know exactly what they were and the kind of counseling and help that they could receive.

The entrepreneurship program. This is a program to train people on how to go into their own small business. This is a program being set up by the State of Vermont training office. We brought in the Social Security people to explain Social Security benefits. We conducted resume writing classes. We had information sessions for the reemployment committee on TRA and Title III eligibility requirements.

There was also an information session for the reemployment committee relative to the unemployment insurance guidelines. There were many, many questions that the employees have. And when you answer one question, they change it to another level of the question.

So what we have done is we have taken the opportunity and been coactive in bringing these organizations in to give direct information to the employees.

We developed a matrix of possible needs and organizations which would address those needs. This was required for resource identification, and also for coordination in scheduling. This was done, this matrix was developed with the cooperation from the Department of Employment and Training of the State of Vermont.

I requested and received both from Vermont and New Hampshire state offices information giving any overview of the current labor market. This information included types of jobs available by industry and by geographic area, and salary ranges for these positions.

This information gave the employees an idea of the current labor market. As I said earlier, for many of the people, this was the first glimpse at the labor market that they would be entering.

The activities schedule for March and April. For the month of March, we have the assessment phase of the entrepreneurship program. The small business training program will start, in fact it starts next week on March 18th.

This is an excellent small business training program. The assessment phase includes about 15 to 20 hours of one on one counseling with individuals who believe that they want to go into their own small business.

As a result of that, the individual really knows whether they should be doing into small business at this point time, and also what they will have to do in order to gain information and conduct that business.

We will also conduct employees sign-up with job services in March. We are going to continue the resume writing and job search technique classes. These are critical to employees, as Jim Guest spoke to earlier.

These individuals, most of them, have not written a resume probably some of them in their entire life, and for most of them it was many years ago. And the whole idea of going out for a job is very frightening to many people.

We are also providing financial and retirement planning sessions in March. In April, the actual training classes for the small business program will begin. And that will be conducted over a nine to twelve week period.

We are going to continue the career counseling of individual employees. And also towards the end of April, we will have a sign-up in the plant on Unemployment Benefits.

The following are some recommendations and observations that I have made since being part of the committee. I would like to recommend and encourage that the government continue its efforts to formally establish the concept of the Manpower Reemployment Committee model and process as a means of assisting business.

The benefits are many, but I have only listed a few here. Because the concept calls for a partnership type of agreement between management, the union and the state, it evenly distributes the responsibility for the results.

The state government through the outside chairman can be actively involved without appearing dictatorial. The committee's focus and activities are all positive which helps to lower the employee anxieties and turn employees' attention towards positive actions for their future. The committee model also generates positive press for everyone involved. It really turns out to be a win-win situation.

I would also like to recommend to maintain the outside consultant as chairman. Because this position lends objectivity to all issues and activities. The position also provides an objective party to identify and resolve conflicts between parties.

The position provides an objective party to identify voids if any in the state agency system, and to be able to assist in recommendations for improvement.

The other recommendation that I have is prior to selecting and hiring the outside consultant as chairman, that the state should perform a thorough assessment of the target company's situation to identify the following. The major issues that would be involved in that particular company. To determine if there is a labor contract in place spelling out the terms of closure and separation. And to also determine things like if that situation would call for a labor expert to make recommendations to both parties relative to separation terms.

This analysis will help the state officials and the company involved to determine the skills required by the chairman.

I would also recommend that the role of the chairman be clarified as one of facilitator. It is important that the management and union members of the committee take on most of the responsibility for the various tasks to be performed. The chairman should counsel and advise the committee and only be directive when the situation requires leadership from the chairman.

There needs to be a formal and extensive orientation of the chairman to properly prepare this person to carry out their function. This should include an explanation of the process, the reemployment model, the chairman's role in relationship to the committee, and also should include orientation of the state agency network and the key contacts and department heads, and documentation and explanation of the various assistance grants available and how they are administered.

These kinds of things are important because many times the individual from business or labor that is hired may have some appreciation and association with the government system, but really one cannot expect these people to know it intimately. So there should really be a very thorough orientation of the chairmen so that they can function smoothly.

I would also like to recommend that the federal government's process for reviewing and approving Title III and TRA and other grants should be expedited in these cases. It is extremely difficult to begin the whole planning process prior to grants being approved.

It is pretty difficult to talk to employees about all of the kinds of services that might be available, because their individual question is what is available and when are we are gong to receive it. Without knowing whether the grants have been approved, you really cannot begin the planning process.

The important thing is to know as quickly as possible if the grant applications and petitions have been approved, and the money certainly can come later. Thank you.

[Additional imformation from Robert N. Leech follows:]

March 12, 1987

Testimony for Education & Labor Committee
Prepared by Robert N. Leech, Consultant, hired by
The State of Vermont as Chairman of the Goodyear
Manpower Re-employment Committee

* DEMOGRAPHICS OF THE GOODYEAR RUBBER PLANT-WINDSOR, VT

- Main Product- Rubber Soles for Footwear Industry
- Goodyear has been located in Windsor, VT for 50 years (50th Anniversary was this past October 1986)
- Union in residence - United Rubber, Cork, Linolium and Plastic Workers of America, AFL-CIO-CLC
- Total number of employees - 300

  Breakdown

  Production............217
  Maintenance........... 32
  Salaried/Management... 51

- Estimated number of employees to either retire or transition to other Goodyear Plants.... 124
- Estimated number of employees that will require training assistance.... 176 or 59%

  Breakdown

  127 employees have skills specific to rubber industry
  19 employees have possible transferable maintenance skills
  30 employees have managerial type skills

  (Some of the 30 employees with managerial skills will need training to bolster these skills so they will be marketable outside of Goodyear)

  (Of the approximate 127 employees with skills specific to the rubber industry we estimate that 74 or 58% will need extensive career counseling to help them identify a change in career direction)

• DEMOGRAPHICS OF THE WINDSOR, VT - LABOR MARKET AREA

- Labor Market areas of Windsor, Vermont and Claremont, New Hampshire will be directly affected by the plant's shutdown

- The plant's employees reside in a total of 13 towns and communities in and around Windsor, VT and Claremont, NH

  - Therefore the Springfield, VT Labor Market will also be affected - This is a Labor Market that has already experienced a loss of 2000 jobs over the past few years which is a 33% reduction in manufacturing employment - with no net growth

- The Unemployment rate in the State of Vermont for the 12 month period ending October 1986 was 4.3 percent -

  The current unemployment rate for Springfield, VT Labor Market was 6.4 percent in October 1986

* MANPOWER RE-EMPLOYMENT COMMITTEE ACTIVITIES

Activities Performed to-date

- First Committee Meeting - 12/15/86
  - Provided explanation of Committee purpose and overall mission
    (Committee meetings held on weekly basis)
- Determined method for keeping employees informed
  - Plant Weekly News Letter (Sample attached)
- Created a Skills Inventory Analysis Form - circulated same throughout the plant
  - Over 200 employees responded
    (Sample Form attached)
- Created a Computerized Skills Inventory for each employee
  - This is used to assist in matching employees skills to job openings with Companies that do not report openings to the Job Service Offices
- In addition we surveyed employees to identify:
  - Financial & Retirement Planning needs
  - Those interested in starting a Small Business
  - Those requiring Resume Writting and Job Search assistance
- Established a "Re-employment Center" in the Plant
  - Provides a private setting for one-on-one counseling
  - Formally establishes the Re-employment Committee's activities and efforts
  - Provides a center for disseminating information in addition to the Plant's Weekly News Letter
- February - Goodyear Corporate Industrial Relations personnel conducted employee information sessions for one week - The purpose was to explain their benefit programs
  - This was done by Age group and years of service
- Job Fair - Saturday, February 28, 1987 Goodyear Company was host of a Regional Job Fair that was jointly sponsored by Local TV 31, Vermont & New Hampshire Job Services, and Goodyear Company
  - 55 Companies were represented
  - Approximately 1200 people attended
  - Over 150 Goodyear employees attended
  - The Job Fair received very positive reactions from both the companies represented and the individuals who attended

- Manpower Re-employment Committee has set-up/conducted Employee Information Sessions on the following topics:
    - Job Services Organizations and the services they provide
    - Entrepreneurship Program being set-up by the Vermont State Training Office
    - Social Security Benefits
    - Resume Writting Classes
    - TRA and Title III eligability requirements - information session for the Re-employment Committee
    - Information session for the Re-employment Committee relative to Unemployment Insurance Guidelines
- Developed a Matrix of Possible Needs and Organizations who would address those needs - (Sample attached)
    - Required for resource identification and coordination
    - This was done with cooperation from the Department of Employment and Training - State of Vermont
- Requested and received from both Vermont and New Hampshire State Offices, information giving an overview of the current labor market.
    - This information included types of jobs available by industry, by geographic area, and salary ranges for these positions
    - This information gave the employees an idea of the current labor market - For many this was the first glimps of the labor market they will be entering

* ACTIVITIES SCHEDULED FOR MARCH & APRIL 1987

- March 87
    - Assessment Phase of the Entrepreneurship Program
    - Employee Sign-up with Job Services
    - Resume Writting & Job Search Techniques Classes
    - Financial & Retirement Planning sessions
- April 87
    - Actual Training Classes for the Entrepreneurship Program - 9 to 12 weeks of classes
    - Continue Career Counseling of employees
    - Employee Sign-up with Unemployment Office

* **RECOMMENDATIONS**

- Continue efforts to formally establish the concept of the "Manpower Re-employment Committee" Model and Process as a means of assisting business

  Benefits

  - Because the concept calls for a "partnership" type agreement between Management, the Union, and the State, it evenly distributes the responsibility for the results
  - The State Government, through the outside Chairman, can be actively involved without appearing dictorial
  - The Committee's focus and activities are all positive which helps to lower employee anxieties and turn employees attention toward positive actions for their future
  - Generates positive press for everyone inlvoved "Win- Win Situation"

- Maintain the "Outside Consultant" as Chairman
  This position:
  - Lends objectivity to all issues and activities
  - Provides an objective party to identify and resolve conflicts between parties
  - Provides an objective party to identify voides, if any, in the State Agency system and be able to assist in recommendations for improvement

- Prior to selecting and hiring the Outside Consultant as Chairman the State should perform a thorough assessment of the target company's situation to identify:
  - The issues (major) involved
  - Determine if there is a Labor Contract in place spelling out the terms of closure and separation
  - Determine if the situation would call for a Labor Expert to make recommendations to both parties relative to separation terms

This analysis will help the State Officials and the Company involved determine the skills required by the "Chairman"

- Recommend that the role of the Chairman be clarified as one of "Facilitator"
    - . It is important that the Management and Union members of the Committee take on most of the responsibility for the various tasks to be performed
    - . The Chairman should counsel and advise the committee and only be directive when the situations require leadership from the Chairman
- There needs to be a formal and extensive orientation of the Committee Chairman to properly prepare this person to carry out their function:
    - . Explanation of the Process and the Chairman's role and relationship to the Committee
    - . Orientation of the State Agency network and the key contacts and Department Heads
    - . Documentation and explanation of the various Assistance Grants available and how they are administered
    - . Etc....
- The Federal Government's process for reviewing and approving Title III, TRA, and other grants should be expedited in these cases
    - . It is extremely difficult to begin the planning process prior to the grants being approved
    - . The important thing is to know as quickly as possible if the grant applications and petitions have been approved - the money can come at a later date

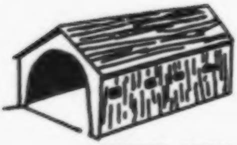
Respectfully submitted,

Robert N. Leech

Robert N. Leech
President

BPI Business Planning & Improvement
P.O. Box 334
Brownsville, VT 05037

WINGFOOT FLYER



THE GOODYEAR TIRE & RUBBER COMPANY WINDSOR, VERMONT

No. 49 2-19-87

T.R.A. BENEFITS APPROVAL

We received word today that the application for Trade Readjustment Assistance benefits have been approved.

The application for these benefits was submitted by Local #289 for all Goodyear - Windsor employees.

The benefits included are:

1. Extension of unemployment benefits for an additional twenty-six weeks.
2. Additional retraining money which will be requested by the Vermont Department of Employment and Training.
3. Job Search allowance for travel to interview for jobs outside the commuting area.
4. Job relocation allowance which will pay for moving expense, travel expense to a new location and up to an $800.00 resettlement allowance.

JOB FAIR

There have been nearly fifty (50) employers from the region who have indicated they will be here at Goodyear for the Job Fair on Saturday, February 28th.

Some of the employers who have said they would attend include:

Ascutney Mt Resort, Dartmouth Printing, U.S. Army, Encore Shoe, V.A. Hospital, American Brush, Geographic Data, N.H. Vo-Tech; Customized Structures, Hartford Area Vocational Center, Springfield Hospital, Dartmouth Woolen Mills, UVM Continuous Education, Windsor Correctional Facility, Creare Inc., Verax, and Tremell-Nelson Construction.

Senator Jeffords who was instrumental in the training grant for Goodyear - Windsor employees will be at the Job Fair.

SUBJECT: PREPARATION FOR ACQUIRING NEW EMPLOYMENT

As was announced, there has been a committee formed to assist all employees in finding employment when the plant closes May 1, 1987.

In order for us to accomplish this, we need to try to match the talents and skills of employees to the kinds of job openings that are available or will be available in the future.

The first step required to do this is to develop an individual skills/talents inventory profile for each employee Therefore, to assist both you and the committee, we would like you to complete the attached "Skills/Talents" Inventory form and return it to your Supervisor or Personnel by January 20, 1987.

Thank you for your cooperation. If you have any questions, please contact Bob Leech, Committee Chairman, Goodyear Manpower Re-employment Committee, through Joyce, at the switchboard, or speak to John Vorhies, Mgr, Industrial Relations or Steve Lacourse, Union President.

INDIVIDUAL
SKILLS/TALENTS INVENTORY

EMPLOYEE
NAME ________________________________ DATE ______________

Using the following suggested lists of skills, please check off those that apply to you. It does not matter where or when you acquired the skill (it might have been through an outside activity or hobby). Seeking new employment sometimes provides an opportunity for us to utilize additional skills or obtain work in a completely new or different field of work. It is important, therefore, to identify all the skills we have in order to obtain the most beneficial employment.

To help you identify skills you may have, think of the kind of activities you have been involved in both on and off the job. Then, think about what you had to do to complete this activity or task. These things are often skills we forget we have.

SUGGESTED SKILLS/TALENTS

____ Accounting
____ Bookkeeping
____ Recordkeeping
____ Budgeting
____ Analyzing
____ Advising
____ Counseling
____ Coaching
____ Teaching
____ Training
____ Carpentry
____ Cabinet Making
____ Woodworking
____ Building
____ Bricklayer
____ Machine Operator
____ Tool Making
____ Designing
____ Electrician
____ Electrical Engineer
____ Mechanical Engineer
____ Fireman
____ Boiler Operator
____ Auto Maintenance
____ Machine Maintenance
____ Motor Maintenance
____ Building Maintenance
____ Plumbing (installing/fixing)
____ Refrigeration Maintenance
____ Cleaning
____ Gardening
____ Groundskeeping
____ Landscaping
____ Stocking
____ Inventoring
____ Purchasing
____ Supervising
____ Organizing
____ Developing

____ Writing
____ Typing
____ Filing
____ Telephone Operator
____ Computer Operator
____ Computer Programming
____ Computer Repairing
____ Selling
____ Sewing
____ Dress Making
____ Upholstering
____ Drape/Curtain Making
____ Painting
____ Wallpaper Hanging
____ Decorating
____ Interior Designing
____ Real Estate Selling
____ Truck Driving
____ Small Engine Repair
____ Researching
____ Investigating
____ Film Making
____ Photography
____ Film Developing
____ Child Care
____ Nursing
____ Nurses Aide
____ Medical Technician
____ Dental Technician
____ Telephone Switchboard Operator
____ Receptionist
____ Secretary
____ Drawing (Artistic)
____ Mechanical Drawing
____ Drafting

These lists are not meant to be all inclusive. If you have skills, talents or hobbies not mentioned, please write them in the spaces provided below:

OTHER SKILLS/TALENTS

______________________ ______________________

______________________ ______________________

______________________ ______________________

______________________ ______________________

______________________ ______________________

In addition to your known skills identified above, please note any other areas of interest in which you may like to receive training.

______________________ ______________________

______________________ ______________________

______________________ ______________________

______________________ ______________________

Please indicate below if you feel any of the following activities would help you find new employment.

____ Resume' Writing

____ Interview Skills

____ Filling out Applications

____ Interview with State Job Placement Personnel

____ Small Business Owner Training

____ Financial Planning

____ G.E.D.

____ Home Tutorial (Read)

Please return to your Supervisor or Personnel by January 20, 1987.

(11)

SERVICE PROVIDERS

SERVICES	Emp./Tr.											
	Job Service	UI	Area Adult Basic Education Program	Vocational Educ.	VSAC	State Colleges	DSW	Extension Service	Vt. Associates	Community Action Agency	Apprenticeship Program	Independent Consultants, Bankers, Accountants, etc.
1. Job Skill Specific Classroom Training	*Arrange Finance X			X		X					X	
2. On-The-Job Training	X										X	
3. Entrepreneurial Training	*Arrange Finance X					X						
4. Relocation Assistance*	X											
5. Vocational Testing	X			X								
6. Career & Job Counseling	X				X				X		X	X
7. Job Search Assistance *Preparation of good job applications, resumes *Preparation for Interviewing *How-to-find jobs using JS listing, newspapers, friends, other networks	X								X 55+ Years			X
8. Support Services to look for, take and retain a job, child care, transportation	X									X		
9. Financial Assistance to Family		X					X					
10. Tuition Assistance					X							
11. Basic Education			X									
12. Remedial Education			X	X								
13. Higher Education Related to Employment						X						
14. Financial Management Assistance	*Arrange Finance X											X
15. Retirement Planning Assistance	*Arrange Finance X							X				X

Mr. **Kildee**. Thank you very much, Mr. Leech. Mr. Jeffords for questions.

Mr. **Jeffords**. Thank you very much. It is a pleasure to have you here, and it was an excellent testimony.

Mr. DeJong, I have a couple of questions for you on the program in Canada. I wonder if you could tell me as to the difference in the effect that you have there.

I believe that there are some provinces up there that have notice requirements and some that do not, is that correct, or do they all have notice requirements now?

Mr. **DeJong**. Well, all provinces have notice requirements for individual layoffs. Some provinces have for group termination. So the kind of advance notice that one would get in some jurisdictions might be very short for an individual, maybe just a week, or two weeks or one pay period, and in other cases it is much more extensive, up to the three months depending on whether you have been a long term employee.

In some provinces, six out of ten, there are termination requirements for notice of layoff for groups of 25, or 10, or 50 or more.

Mr. **Jeffords**. My question is, have you seen a significant difference in the effectiveness of the programs depending upon the amount of notice that is received?

Mr. **DeJong**. It is important to keep the people together as a group. If you only find out at the last moment that the layoff has occurred, then it is very difficult to keep them from scattering. If there is essentially no layoff notice, you will not have the opportunity for them to get over the shock before they dissipate. They lack the group cohesiveness, the opportunity to deal with their problem in some sort of committee system.

So there is an advantage to having an early notice of the layoff, whether it be legislative or through some sort of collective bargaining agreement. Whether it is more advantageous to have it three months versus two months, it is hard to judge that. But some kind of advance notice is definitely helpful of at least a month or two months. It is very helpful.

Mr. **Jeffords**. Thank you.

Mr. **DeJong**. Does that answer your question, sir?

Mr. **Jeffords**. Yes. We have a very difficult question here as to whether or not it is essential or necessary that a mandatory notice is required.

Mr. **DeJong**. I would guess that it is not essential, because we simply apply the program in those circumstances where say the employer opts to pay everybody off. In some of the jurisdictions, one could simply pay the people three month's salary and say goodbye and that is it. And we have to deal with that situation, and chase them down and do it at breakneck speed.

We do not have the luxury of calling them all together in due course and explaining the options of the programs, and what we can do and negotiating things. It has to be done like on almost a 24 hour a day kind of speed for two or three days while they are still there. Otherwise, you lose them. And once they are gone, once they are scattered, it is too late.

Mr. **Jeffords**. Yes, I understand. In other words, it is not necessary, but it is very helpful.

Mr. **DeJong**. Oh, yes.

Mr. **Jeffords**. Thank you.

Mr. Leech, I appreciated your testimony. As you know, I was at the job fair, and I found it an impressive operation. I will be very interested in your follow-up to determine as to whether or not it was successful in the end result of getting jobs.

One of the couple of problems that I recognize there in talking with the various people who were there was one that individuals who were looking found that many of the jobs if not all of the jobs were entry level where they had been used to relatively high wages. And they seemed to be frustrated, because they found that there were some high paying skill jobs available, but they did not have the skills.

And it raised a question in my mind as to what kind of training, and maybe Mr. Guest could answer this better, how the state or how you are trying to deal with trying to make training available for those that have the ability but lack the specific skills for those higher paying jobs that are available.

Did you recognize that as a problem?

Mr. **Leech**. Yes, we did recognize it as a problem, and it is a very real one. One of the skills that has been acquired at Goodyear over the years can only be used at Goodyear. Although they consider them skilled workers in may cases, other companies outside of Goodyear would not. And that is why I mentioned also the managerial people before. Where one may be a manager of a company for thirty years, the same skills might not be considered the same quality someplace else.

There is going to have to be extensive, I feel, career counseling with a lot of individuals in order to assess what their real skills are and where those skills could be employed, and what kind of training specifically they are going to need in order to acquire gainful employment.

Mr. **Jeffords**. I have been talking to some people from Ohio and Pennsylvania; and because of their size, they have a lot of programs readily available such as job training programs as well as teaching the different basic skills, and even higher skills strategically located where workers can get to them. In rural states like Vermont, it is going to be very difficult for us to be able to provide that kind of training.

And I just wanted to ask Mr. Guest what kind of flexible training you think that we could provide that will be most convenient to these individuals to give them a helping hand?

Mr. **Guest**. Well, as you are aware, the State of Vermont has its Vermont training program which is probably as flexible and adaptable as any in the country. We are told that it is fairly unique in that we can go to a particular company, either a company that is expanding, or getting underway or coming into the state, and tailor a training program specifically to their needs.

We pay 50 percent of the on the job part of it. Before that, we pay 100 percent of the classroom part of it. What we have done is a couple of things. In the Springfield area, we have done programs. Well, we have done programs both with individual companies, if they can anticipate a need. And some of the employees who are there in Springfield or Windsor, for example, might get into a particular training program that a company has, because we make it very attractive to the company to do that.

We have also done some generic programs. Unfortunately, one of the generic programs that was done six or seven years ago before my time was in machine tool skills, and we hit it at just the wrong time as to when that occurred.

We also started a program called LIFT, lifetime employment from training, last year where ironically given the Schmelzer situation where carburetors are going out of existence, we have started with adults in the St. Johnsbury area, adult mechanics, training in using electronic emission systems to try to anticipate the skills they are going to need as the previous technology dies off.

It obviously would be nice to have the program at a good bit larger level, but I think that something that is not only employee oriented but employer oriented in terms of being very flexible for an employer makes it more likely that they will in fact take the time to do the training process. And perhaps it also is a fact in making a decision whether to expand or not in Vermont.

Mr. **Jeffords**. Mr. Leech, what impact did this program have on the management of Goodyear? What is your perception of their response?

Mr. **Leech**. Well, I really do not have any sense that if they are going to close another plant someplace else whether they would try this again, because I have not had the opportunity yet to sit down with management to actually ask the question.

But the reactions from the various management people, the plant manager, John Voorhees, and the industrial relations manager at the plant, the reaction is extremely positive about what has gone on and what has occurred at the plant.

As I said before, it is really a win-win situation. Employees found out last October that the plant was going to close. That is a long time to know that your job is not going to be there. In fact, in that case, it is almost agonizing to go that long and know sometime later I am going to be out of work. Because it does not seem real to most of the people, because they are still at full production.

But the reaction from the union members and from the union officials, the reaction from the employees themselves, and management has been very, very positive. Because they are taking part in trying to do something about their future. And they see everybody working together. So it has had a tremendous positive effect on the individual.

And the job fair was something that was really unique that we brought it into the Goodyear plant. I think that the idea of doing that was a stroke of genius in a way. Because the Goodyear employees said boy, they are bringing the companies right in to where I work in order for me to be able to interview with them and find out what is out there.

And from the corporate officials of Goodyear that came up from Akron during the benefit explanation sessions, they were very positive about the whole effect that it seems to have, this whole committee process seems to have.

I would suspect that they are going to seriously look at employing it again somewhere else if they have to.

Mr. **Jeffords.** I want to thank you, Mr. Chairman, for allowing me to question these witnesses first. As you know, a Member who I am supposed to have lunch with at noon is waiting diligently for me, and I do not like to make another member wait. I am very appreciative of all the excellent testimony and comments.

Mr. **Kildee.** Mr. Sawyer.

Mr. **Sawyer.** Mr. Chairman, I am not going to take up a great deal of time with questions. I would like answers to the same kinds of questions that I was asking the previous panel, that is which elements of the program that you deem essential to the success that you have seen so far. If you would give some thought to it and share it with us through the Chairman, I would very much appreciate it.

With that, I just want to close with a comment. As you know, Goodyear is going through a time of considerable travail, a reorganization that is a product of an attempt at a hostile take- over. And if it is of any value to you, certainly the kinds of lessons that you appear to be learning in Vermont appear to be useful in places like Akron and other Goodyear installations across the country. And I surely hope that they continue to make use of those same kinds of techniques. It is very important.

Mr. **Kildee.** Thank you, Mr. Sawyer. Mr. Jontz.

Mr. **Jontz.** Thank you, Mr. Chairman. This has been very helpful testimony, and I just want to ask one brief question to Mr. DeJong if I might.

This is a completely voluntary program in Canada, is that correct?

Mr. **DeJong.** From the federal point of view, that is correct. We have ten provinces, and in one of the provinces we have a fairly old provincial statute that requires essentially this kind of committee to be formed. That is in Quebec. And this year, a second province went that route, Manitoba. But I do not know how the one in Manitoba is working as it is so new.

The one in Quebec has been around for a long time, and the particular culture and milieu there, there is an old tradition of academia where people do plan things, and also a lot of government intervention. So it has not given us any problem, because people expected it anyway.

Mr. **Jontz.** You did quote some figures in your testimony about the number of agreements which were signed with firms, and perhaps the number of workers covered under these agreements.

But can you make some estimate of what proportion of the total number of workers being dislocated in Canada during this time period or what that figure represents; or to put it another way, how many companies out there are not participating?

Mr. **DeJong.** OK. I guess that we would be covering on the order of 15 to 20 percent of the market.

Mr. **Jontz.** And why are the other 80 or 85 percent of the companies not taking advantage of these services?

Mr. **DeJong.** Well, some of it is simply lack of resources to offer it everywhere and with equal intensity. Also a lot of the dislocation occurs in groups of less than twenty. And while we think that it is a very cheap way to do business for groups of twenty or more, when you are talking about groups of three and four people, that is expensive.

So we have to draw the line. Well, we do not draw a line exactly. We just sort of say do what makes sense. And when it gets too small, we will have to help them in a different way.

Mr. JONTZ. Thank you, Mr. Chairman.

Mr. KILDEE. Thank you. I want to thank this panel. We are trying to write a bill that will really be sensitive, and practical and workable, and I think that you have given us information today that will be very helpful in that. So we thank all of you.

And at that, the committee will stand adjourned. We will keep the committee record open for one additional week for submissions of any further testimony. Thank you very much. We stand adjourned.

[Additional material submitted for the record follows:]

PREPARED STATEMENT OF MORTON BAHR, PRESIDENT, COMMUNICATIONS WORKERS OF AMERICA

The Communications Workers of America represents more than 700,000 workers in telecommunications, government, health services, printing and publishing. As a union created by technological development, CWA has also adapted itself to changing conditions on the job. In the past, a worker might have expected that one set of skills would guarantee a job for 20 years, or even, a lifetime. But the current flood of technological advances is being felt in virtually every industry, job and occupation.

CWA is committed to the belief that technological advances should hold a promise, not a threat, to the jobs of our members. We must use our expanded technological capabilities to expand job opportunities, improve our quality of life and free ourselves from mindless, menial tasks.

But the swiftness of our entry into the Information Age is exerting great pressures on workers. In too many instances, workers are trapped by technology, locked into place by machines. People's jobs are reduced to the lowest common demonitor where workers became an extension of the machine. We are moving toward an economy where a few workers are employed in the high-skilled, good-paying jobs, while the vast majority work at low-paying, semi-skilled occupations.

CWA believes that one key to dealing with the impact of the rapidly accelerating pace of technology is through on-going adult education and job training. As a recent report by the Work in America Institute predicts, "It is only a matter of time before continuous learning establishes itself as an indispensable policy for survival in a highly competitive environment."

CWA is approaching the issues of training, retraining and skills upgrading through the collective bargaining process which has brought so much innovation and progress to our economic life. Never before has the value of collective bargaining been so evident than in our agreements involving job security, training and retraining.

Quality of work life teams, initiated under the 1980 national agreement with AT&T, set the stage for labor-management interaction at the job site. In 1983, CWA negotiated provisions which directed AT&T to offer training to our members. In both of these programs, workers were trained in higher skill levels and began to participate in the organization and management of work.

Through these experiences, the union realized that training and job placement had to be better coordinated. In the Scandinavian countries, for instance, workers are deeply involved in the introduction of new technology on the job. Management shares information on new technology at the early design stages, allowing for worker input on the implementation of the technology at the workplace. This is the kind of advanced knowledge workers must have to prepare for significant job changes.

During 1986 bargaining with AT&T and the regional operating companies, we made employment security and training our top priorities. We believe the employment security and training provisions of our 1986 contracts represent major breakthroughs for the telecommunications and every industry in our economy. Attached is a paper which summarizes the training provisions of our 1986 contracts.

There are three contracts, however, which should be highlighted because management in these three companies realize the importance of these issues and the need to cooperate with the union. Perhaps the most significant agreement is with Pacific Telesis where CWA represents 44,000 workers. This company agreed to a no layoff clause for all workers now on the payroll who wish to continue their employment, barring "a sudden change in the business or regulatory climate."

To meet this commitment, the company realizes that workers must be given the opportunity for retraining. Pacific Telesis agreed to provide $15 million for new skills training during non-work hours in addition to on-going job-specific training already provided on company time. The contract also provides for relocation assistance for workers who choose to be transferred for new jobs. Workers who choose to be transferred for new jobs. Workers who decide not to move are given assistance in finding new jobs in their communities.

We also negotiated landmark employment security and job training provisions in our 1986 national agreement on behalf of 155,000 workers with AT&T. Workers whom we represent will be provided with the tools to meet the challenge of new technology through the Alliance for Employee Growth and Development. The Alliance is a union-inspired, union-demanded and union-won provision of our 1986 contract with AT&T. The Alliance will be company-funded at $21 million over the next three years.

It is an historic program in that AT&T workers will be provided advanced notification of future job skills required by the company, the opportunity to receive training for those job skills or the opportunity to receive company-paid job training for any other occupation or career they wish to pursue either within or outside of AT&T.

This program goes far beyond any other job training or retraining effort in American industry. CWA believes this program also represents the best of what labor and management can achieve in the spirit of partnership and cooperation.

Most important, however, is the philosophy on which the Alliance and our agreement with Pacific Telesis are based. These programs recognize that on-going education and job training for American workers are essential to America's ability to successfully compete in the global economy. Only by developing systematic programs of training for ever-changing job skills required in the Information Age can we hope to protect and expand the standard of living in our country.

Creation of these programs already has improved management communication with workers and their union. A few years ago, for example, AT&T closed its overseas long-distance office in New York City and 700 operators suddenly lost their jobs. Workers launched an information campaign to protest this action. And there is still acrimony in the CWA local union about the event.

But last year, AT&T decided to close a similar office in Springfield, Massachusetts. As required by the contract, the company gave the union advanced notice of the targeted October 1987 closing date and the Alliance programs were implemented. The Alliance has been working with the local AT&T managers, mayor's office and other training institutions to develop retraining and outplacement services. So far, more than 60 potentially displaced workers, one-third of the work force, have been placed in new jobs.

Through the work of the Alliance, the workers have been offered career assessment and counseling, job-seeking skills and training; and job search support. A "job club" has been established which gives those who are seeking work a change to share their experiences and information. In some situations, a job applicant will find that the company to which they are applying would like to hire other workers, and can bring this information back to the group. In this way, a job network is created which widens an individual's job search opportunities.

The Alliance also is providing short-term targeted skills training to qualify workers for jobs available in the community. Specific training also is supplied to the job applicants so that any "holes" in their skills can be filled to match workers to existing jobs.

In other words, advanced information shared by management, management cooperation and a well-funded jobs program operated by experienced people are giving labor and management to opportunity to cushion the blow on the workers and the community.

CWA's new contracts with BellSouth Corporation also represents a major step forward for the telecommunications industry. The corporation agreed to bargain with CWA on a regional basis, and training provisions are included in contracts with all subsidiaries. In total, the contracts provide $23.4 million over three years for training of 65,000 CWA members.

CWA was especially concerned about increasing the employability of its women workers, who often have lower seniority and are more likely to be laid off. Under the new contracts, laid off workers may now enter a job bank, where they will receive full pay and benefits for up to eight months, depending on seniority. While in the bank, they will have priority for job vacancies in all five BellSouth subsidiaries. They will receive retraining for any available vacancies. Workers who choose not to relocate to accept a new job in the corporation will be given career counselling and retraining aimed at their local labor market. This program, administered jointly by a union-management Employment Security Advisory Board, is a model of cooperative labor-management relations.

Unfortunately, this level of cooperation does not exist with all employers, nor always within AT&T, Pacific Telesis, or BellSouth. The loser is not the union. The losers are the company, the workers and the community. As AFL-CIO Secretary-Treasurer Thomas Donahue said recently, "Union are willing to cooperate with management. The problem is finding management willing to cooperate with us."

An anti-union attitude exists within many managers today which creates a hostile atmosphere toward organized labor. Fundamental workers' rights have all but disappeared. In the weeks just before Christmas, nearly 100,000 American workers lost their jobs at just six multi-national corporations. Many were employed in high-tech industries. When unorganized workers try to engage in collective action to improve their lives, they are met with the greatest resistance to union organization in 50 years.

Labor-management cooperation, which has proven to be beneficial to workers and our economy, will continue to stagnate as long as these three critical factors exist in our society:

1. The basic loss of job security for the majority of American workers, both unorganized and organized, which undermines morale, productivity and faith in our economic system.
2. The virtual elimination of the right to organize a union for American workers in direct contradiction to the stated policy of the United States government.
3. The threat of international competition to undermine American living standards, ability of unions to bargain collectively, and the opportunity for younger workers to work at good-paying jobs.

Reducing or eliminating these barriers will lead to improved joint labor-management efforts to respond to the economic and social problems affecting our country. Another critical partner in the effor to protect American jobs and industry is the government. Cooperative efforts should be encouraged through a fully developed policy and program which provides financial and other support.

In the current situation of layoffs and plant closing, Federal action is needed to help laid-off workers. CWA suggests the following:

1. Restore cutbacks in Unemployement Insurance.
2. Restore and increase funding for Title III (dislocated workers) of the Job Training Partnership Act. According to the Congressional Office of Technology Assessment, less than five percent of eligible workers are being served by the current program. The following changes are needed:
   A. Provide income support to trainees through Unemployment Insurance or, if the worker has used up this benefit, living stipends.
   B. Provide child care to trainees.
   C. Provide relocation assistance to workers who must move to find new jobs.
   D. Increase emphasis on basic skills and vocational training.
3. Strengthen the State-Federal Employment Service.
   A. Restore cuts and increase Federal funding for State and local analysis of labor markets. Provide funds for dissemination of this information to local community colleges and vocational technical schools to ensure that training matches employer needs.
   B. Provide funds for full automation of State job banks into a national system.
   C. Improve job search assistance provided by State Employment Security Agencies.
4. Require all employers to provide six months advance notice of all layoffs involving 50 or more people.

In addition to helping displaced workers, the Federal government should implement policies to reduce displacement by enhancing all Americans' skills and productivity. These policies include:

1. Increase emphasis on basic skills, especially mathematics and reading, in the public schools.

2. Increase funding for youth and disadvantaged workers' training programs under JTPA, the Carl Perkins (Vocational Educational) Act and the Higher Education Act. Providing living stipends and child care to trainees.

3. Provide a comprehensive national health care system to maintain the health and productivity of all Americans.

4. Change the public school curriculum to emphasize independence, creativity, teamwork and problem-solving.

5. Encourage worker participation programs, as the Department of Labor's Bureau of Labor-Management Cooperation is now doing.

6. Increase financial aid for higher education and make it available to part-time students.

7. Continue the tax-exemption for employer-provided tuition assistance.

8 Require employers to increase retraining through a payroll tax, as is done in France. Employers there must spend about 1.1 percent of total wages either on training their own employees, on industry-wide training, or on programs to retrain unemployed people.

The Communications Workers of America congratulates the Committee on Education and Labor for undertaking this examination and offers our support in working with the members to develop meaningful legislative proposal that will benefit American workers and our nation.

Attachment.

Training Provisions of CWA 1986 Contracts

Note: These provisions deal primarily with off-hours personal and career development training. Each company will continue to provide job-specific training during working hours.

AT&T

CWA and AT&T reached agreement on a comprehensive retraining program designed to make all 155,000 CWA-represented AT&T employees more employable -- with AT&T or another employer. Funded at $21 million over 3 years, the program will be administered by a new non-profit corporation, the CWA-AT&T Alliance for Employee Growth & Development. The jointly-owned, jointly-administered corporation will provide career counselling and retraining to active workers and to laid-off workers who enroll within 6 months of layoff. Training will be purchased from accredited schools and colleges.

Pacific Telesis

In August, 1986, Pacific Telesis and AT&T agreed to a retraining program tied closely to employment security. Barring unforeseen economic or business upheavals, the company will continue to employ all 44,000 CWA members now on the payroll. Layoffs will be avoided through retraining, moving workers from the regulated telephone company to the unregulated subsidiaries, reducing the use of contractors, and increased financial assistance for workers who must relocate their homes. The retraining program, funded at $15 million over 3 years, will be administered under the guidance of a joint union-management Employment Security Advisory Board. It will offer career counselling and retraining for new jobs within the company. Workers affected by rural office closings who choose not to relocate will be provided with job search assistance and retraining for new jobs with employers in their communities. The program will be coordinated with California's extensive network of community colleges.

BellSouth

CWA and BellSouth's new 3 year contract stipulates that the company will allocate $120 per CWA member per year, or $23.4 million over 3 years for training of 65,000 CWA members. The program will be overseen by a joint union-management Employment Security Advisory Board. Laid-off workers may volunteer to participate in a job bank, receiving full pay and benefits for up to 7 months. While in the bank, they will have priority for job vacancies and will be given career counselling, general skills training and job-specific retraining for both BellSouth vacancies and outside employment. These workers will be retrained on company time. General retraining will be available to active workers outside of working hours.

Indiana Bell

The new contract extends the current Training Advisory Board. Workers whose jobs have been declared surplus may take up to 2 courses related to new careers outside the company. The company will provide annual employment forecasts to all employees.

Ohio Bell

The new agreement between CWA and Ohio Bell provides $1.5 million over 3 years for career counselling and retraining of 10,500 CWA-represented employees. For the first time, tuition assistance will be allowed for courses related to jobs outside the company. Layoffs are not expected. However, if they occur, job seach assistance will be provided. The company will provide annual employment forecasts by job title and location.

Bell Atlantic

Under the August, 1986 contract, Bell Atlantic will provide $5 million over 3 years for retraining programs to be overseen by a joint union-management Training Advisory Board at each Bell Atlantic subsidiary -- Bell of Pennsylvania, New Jersey Bell, C&P Telephone, and Diamond State Telephone. All 37,000 CWA-represented employees will be offered off-hour courses in general skills (English, Math, Computer Literacy) at company locations and outside colleges. Workers whose jobs have been declared surplus will be eligible for career counselling and tuition assistance for training related to new jobs outside as well as inside the company. Laid-off workers will not be eligible for assistance.

Mountain Bell

The new contract provides $7.6 million in training funds over 3 years for 18,400 CWA-represented employees. Funds will be overseen by a joint union-management Training Advisory Board. The board plans to contract with the Center for Adult and Experiential Learning which will establish a network of

2- and 4-year colleges throughout the company's 7-state service territory. Active and laid-off CWA members will be able to go to a nearby college for individual career counselling and retraining for new jobs inside or outside Mountain Bell.

Northwestern Bell

CWA's 1986 contract with Northwestern Bell will continue a successful joint training program. In 1984, the joint union-management Training Advisory Board created under the 1983 contract established a network of 2- and 4-year colleges throughout the 5-state region. Under the guidance of Metropolitan Technical Community College in Omaha, Nebraska, participating schools offer career counselling and college training for new jobs inside or outside the company. This effective delivery system is the model for the new Mountain Bell program.

Under the 1986 contract, funding will continue at about $1 million per year for 11,000 CWA-represented employees. The current program will be expanded to include laid off as well as active workers, and more emphasis will be placed on fundamental skills (math, reading) and skill clusters (sales, clerical, technical).

Pacific Northwest Bell

Under the new contract, the joint Training Advisory Board will develop career counselling programs. Tuition reimbursement and home study courses will be continued for active workers.

Southwestern Bell

The 1986 contract directs the company to establish Career Resource Centers in each of the 5 states where it operates. The centers are to help the 44,000 CWA-represented workers find new employment within the company if possible and if not, to find jobs outside. The joint Training Advisory Board will continue to offer up-front tuition for college courses to active workers. Workers laid off while enrolled in a course may complete the course.

NYNEX

The 37,000 CWA-represented workers at NYNEX will receive training and career counselling under the new contract. Active workers will be eligible for training through home study and local colleges. In addition, workers whose jobs have been declared surplus will receive skills assessment and information on company job vacancies. Surplus workers may choose to participate in a job bank, where they will have priority for job vacancies throughout all NYNEX subsidiaries. These training programs will be overseen by joint union-management Training Advisory Boards at the two NYNEX subsidiaries -- New York Telephone and New England Telephone.

STATEMENT OF STEPHEN I. SCHLOSSBERG
DEPUTY UNDER SECRETARY
FOR THE BUREAU OF LABOR-MANAGEMENT RELATIONS
AND COOPERATIVE PROGRAMS
HOUSE COMMITTEE ON EDUCATION AND LABOR

March 1987

I am pleased to have this opportunity to submit these very brief views on the important subject of how we can most effectively help in the readjustment of workers who have been, or who are in danger of being displaced from their jobs through no fault of their own.

I commend the Committee on its valiant effort to address the critical human resource implications of industrial competitiveness strategies in a rapidly changing economy. You have heard already from some of the most qualified and sensitive spokespersons from labor and management and, for what it is worth, I am pleased to present these additional views.

Title II of the H.R.90 authorizes $470 million for fiscal year 1988, for training and employment assistance for displaced workers, assistance to labor-management committees, and demonstration programs to improve worker adjustment. It also includes a provision authorizing competitive awards financing one-half the cost of a joint labor-management program that provides training for employees at risk of losing their jobs because of plant modernization or production adjustments in order to remain competitive.

While the administration opposes H.R.90 as drafted, we have submitted a Worker Readjustment proposal as part of Title I of the Trade, Employment and Productivity Act of 1987. That proposal includes a requirement that each State establish a rapid response capability throughout the State to respond to significant dislocation events by providing early readjustment assistance. Among the activities that can be a part of the rapid response capability is the development of a system for early identification of prospective dislocation events, support for the ongoing activities of voluntary joint labor-management committees, and methods to promote the establishment of such committees.

I fully support the concepts of providing for labor-management committees and for the establishment and operation of joint programs for the training, retraining, and education of workers "at risk." It is crucial to provide educational opportunities for basic skills and literacy training, as well as more advanced education and skill training intended to increase the proficiency and adaptability of workers in changing environments, if we are to be fully competitive while maintaining the levels of income and standards of living of a decent society, in the American tradition.

I have attached, as an appendix, a brief report on the New United Motor Manufacturing Inc. (NUMMI), the latest publication of the Bureau of Labor-Management Relations and Cooperative

Programs. It was developed in large part by an employer and a union and it is a good example of the point I hope to make.

Training programs work most effectively when labor and management contribute jointly to their design, development and implementation. The objective of developing versatile workers with broad-based skills and that of fitting together technology and those who can deliver its promise should be primary in the design of training programs. Such twin goals benefit society, industry, and labor.

A highly trained work force is vital to the health of our industries, and the effective utilization of that work force is paramount. We need to simultaneously look at the development of talent and the integration and utilization of that talent.

A less adversarial, more cooperative relationship between labor and management, constructed to address new issues and develop more effective means for resolving problems, is the key to a successful and humane adjustment to change. I believe the Administration proposal will also help foster that cooperative relationship.

Cooperative labor-management relations practices have a positive impact on an organization's performance and its ability to meet new challenges. Evidence shows that broader forms of participation in decision-making have a positive effect on productivity.

The development of joint, voluntary arrangements between management and labor, which provide greater employee involvement in every facet of an enterprise, from the shop floor to major decisions at the top level, can pay tremendous dividends to all stake-holders in the business. The payoff will be big in terms of employment security, flexibility, productivity and quality. These are, in my opinion, the *sine qua non* of effective global competition.

There is little disagreement among experts as to the necessity for more cooperation between management and workers. America cannot compete by becoming a low wage society. We must compete though working smarter and better. A work force committed to realizing the potential promise of new technology can make that promise a reality, and, by the same token, a negative work force opposed to the introduction and use of such automation will doom it.

Collective bargaining has served our nation well for decades; but, from time to time, it becomes highly adversarial. Labor-management cooperation can temper and improve the practice of collective bargaining and all aspects of the employment relationship. I applaud all efforts to achieve a more decent and competitive society through labor-management cooperation.

LABOR-MANAGEMENT
COOPERATION

Brief

Reports on Significant
Literature and Events

U.S. Department of Labor, Bureau of Labor-Management Relations and Cooperative Programs • No. 10 • March 1987

New United Motor Manufacturing, Inc., and the United Automobile Workers: Partners in Training

INTRODUCTION

In the city of Fremont, California, some 35 miles southeast of San Francisco, sits a 3-million-square-foot automobile assembly facility. Closed by General Motors in 1982, it was, at one time, a vibrant, state-of-the-art plant, employing over 6,500 people and producing over 300,000 cars and trucks annually. When it was built by General Motors in 1962, the U.S. auto industry was preeminent in the world. Imports accounted for less than 5 percent of the U.S. market and the Japanese were struggling to sell a few thousand cars in the U.S. The Fremont plant produced its first vehicle in May 1963, reached peak employment in 1978, then began a decline which resulted in its closing in March 1982. The plant was not closed because it was technologically obsolete—GM had spent millions of dollars over the years to keep it up to date. The plant was closed because changing market conditions and its confrontational labor-management relations made it a non-competitive plant in a market that had become increasingly competitive.

The Fremont plant suffered all the ills of the U.S. auto industry, and more. The plant was tagged as "the battleship" by its angry workers, not so much for its physical dimensions or drab color, but because of the intensity of its labor-management confrontations. During its troubled 20 years, strikes and sickouts resulted in four shutdowns. Management was perceived as authoritarian and inflexible; the United Automobile Workers Union (UAW) Local was perceived as militant and rowdy.

The plant had one of the worst disciplinary records in the GM system. When the plant closed, there was a backlog of over 1,000 grievances and 60 disputed firings. Absenteeism ran over 20 percent and on many occasions the plant could not start on time because not enough people had reported to work. "We'd been trained to fight with management," comments UAW Local President Tony DeJesus. "And GM's management guys were trained to fight the union. Both sides were good at it. We fought like hell."[1]

The union accused management of pushing quantity at the expense of quality; management accused labor of laziness, poor workmanship, and even sabotage. As one might expect, the plant did not excel in either productivity or quality. The Fremont plant averaged many more man-hours of labor per car than Toyota, and produced vehicles inferior in quality to those produced by Toyota.

Two years after it was closed by GM, the plant reopened under the ownership of New United Motor Manufacturing, Inc., a corporate joint venture of Toyota and GM. In the words of the UAW, the Fremont plant "has changed into a worksite unlike any other in the UAW's experiences. The members of UAW Local 2244 actually like the place."[2] *Newsweek* called New United Motor "a model of industrial tranquility."[3] Dale Buss, a *Wall Street Journal* reporter who covers the auto industry, remarked that New United Motor "has managed to convert a crew of largely middle-aged, rabble-rousing former GM workers into a crack force that is beating the bumpers off Big Three plants in efficiency and product quality."[4]

The objective facts confirm these observations. New United Motor will produce over 200,000 cars per year with approximately 2,500 white- and blue-collar workers, a level which rivals Japanese productivity. Overall attendance for 1985 was 98 percent, with less than 1/2 percent of unexcused absences. The quality of the Chevrolet Nova, the car produced by New United Motor, has been hailed by leading consumer magazines.[5] In two years, less than 20 formal grievances have been filed by the union, and all but one of these have been informally settled without resorting to arbitration. And, all of this has been accomplished with substantially the same work force that manned the GM facility when it was closed in 1982.

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[1] Jay Stuller, "War is Peace," *PSA Magazine*, February 1986.

[2] Jeff Stansbury, "NUMMI: A New Kind of Workplace," *Solidarity*, August 1985.

[3] George Raine, "Building Cars Japan's Way," *Newsweek*, March 31, 1986.

[4] Dale Buss, "'Gung Ho' To Repeat Assembly-Line Errors," *The Wall Street Journal*, March 27, 1986.

[5] "Four Small Cars," *Consumer Reports*, February 1986; "Small-Car Challenge," *Popular Science*, August 1986; "Oh, What A Feeling," *Road & Track*, July 1986.

REASONS FOR THE JOINT VENTURE

To understand the reasons for this transformation, it is first necessary to understand the factors that led to the joint venture negotiations between GM and Toyota. In 1982, the year the joint venture negotiations between GM and Toyota began, the U.S. automobile industry, once the leader in the world, was in a crisis. Vigorous import competition and a dramatic shift in consumer preferences combined to make 1980 and 1981 two of the most difficult years in the industry's history. The U.S. automakers—GM, Ford, Chrysler, and American Motors—had just experienced collective 2-year losses of over $5.5 billion. Hundreds of thousands of UAW workers were on layoff. Four out of the five auto assembly plants in California, including GM's Fremont plant, had been permanently closed. The Japanese auto manufacturers were building high-quality cars at a cost estimated by various outside sources to be $1,500–2,000 less than their American counterparts.

The U.S. auto makers faced a declining share of the world market. Labor relations were adversarial and often inflexible. Roger Smith, GM's Chairman, believed that GM had to transform its manufacturing operations to compete with the Japanese. As a model for that transformation, GM sought out a joint venture with Toyota, Japan's leading auto manufacturer.

Toyota felt the need to establish a substantial manufacturing presence in the U.S. as quickly as possible. Since its experience in overseas manufacturing was limited, the joint venture provided an opportunity for Toyota to learn how to work with American suppliers, workers, and their unions. Toyota's Chairman Eiji Toyoda believed that the joint venture would make a positive contribution to the American auto industry.

The UAW was as frustrated with its environment as the American auto manufacturers. Many of its members had lost their jobs, and future prospects were not promising. U.S. auto manufacturers were increasingly turning overseas for parts outsourcing or for sourcing of completed automobiles. The two Japanese manufacturing plants in the U.S.—Nissan and Honda—were using Japanese management methods in the U.S. Neither had used these methods with a veteran and unionized work force.

The fact that the joint venture sought to use Japanese management techniques with the Fremont work force caused *Fortune* Magazine to remark:

> "As a cooperative endeavor between a symbol of Japanese efficiency and a powerful U.S. union, New United Motor is the most important labor relations experiment in the U.S. today. If Toyota can succeed in producing a car to Japanese quality standards at near-Japanese costs using unionized U.S. workers, the venture could force profound changes on the rest of the U.S. auto industry—and perhaps on other industries as well."[6]

The joint venture partners, GM and Toyota, brought in W. J. Usery, a former U.S. Secretary of Labor, to negotiate a satisfactory labor relations framework with the UAW. He negotiated with Owen Bieber, UAW President; Donald Ephlin, UAW Vice President; and Bruce Lee, the Director of the UAW's Western Region. Negotiations began in May 1983 and resulted in a Letter of Intent in September 1983. Under the Letter of Intent, the joint venture agreed to hire a majority of its work force from the laid-off GM Fremont workers, thus enabling it to recognize the UAW as the bargaining agent for that work force. The venture partners also agreed to pay U.S. auto industry scale wages and benefits. In return, the UAW agreed that the venture was a new company not bound by the work rules and rigid job classifications of the old GM contract. The union agreed to the adoption of the Toyota production system with its flexible work rules and broad job classifications.

The Letter of Intent, which served as an interim agreement until a more formal collective bargaining agreement was concluded in 1985, was not a typical American labor contract. It was a concise statement of general principles, free of the usual jargon found in a labor agreement. The first page of the letter states the intent to build a new labor-management relationship:

> "Both parties are undertaking this new proposed relationship with the full intention of fostering an innovative labor relations structure, minimizing the traditional adversarial roles, and emphasizing mutual trust and good faith. Indeed, both parties recognize this as essential in order to facilitate the efficient production of a quality automobile at the lowest possible cost to the American consumer while at the same time providing much needed jobs at fair wages and benefits for American workers."

Five months after the Letter of Intent was signed, the joint venture was formally organized in February 1984 as New United Motor Manufacturing, Inc., a California corporation. While GM and Toyota are each 50 percent shareholders, Toyota was given overall management responsibility. The Chief Executive Officer is Tatsuro Toyoda, son of the founder of Toyota Motor Corporation. The Chief Operating Officer is Kan Higashi, a member of Toyota's Board of Directors. The plant is managed on the principles of the Toyota management system, which differ markedly from traditional U.S. auto plants.

An important part of that system is the cooperative relationship between management and labor and the removal of barriers between the two parties. Group Leaders (New United Motor's equivalent of foremen), sit in the middle of a team room instead of in their own offices. Management roles have been redefined—from the authoritarian foremen with awesome disciplinary powers to the consensus-building group leader who gives each production-line worker the opportunity to participate in the control of the work environment. There are no time clocks at New United Motor. Everyone, from Tatsuro Toyoda to the most recently hired team member, eats in the same cafeteria, parks in the same lot, and wears the same uniform.

The key to the system is teamwork, both literally and figuratively.

All workers have been organized into teams of 4–6 workers, or team members. Each team is led by a team leader, who is also a member of the bargaining unit, and in many instances is also the union coordinator. Each team member is trained to do every job done by the team, and jobs are rotated within the team. All production team members are covered by a single job classification; the skilled trades are organized into three different classifications. In contrast to these four classifications, the former GM Fremont plant had 100 different classifications. Under the Toyota concept of "Kaizen," i.e., the process of continuous improvement, each team member has a significant role in developing work standards so as to make the job safer, more efficient, and easier to do. Teams discuss work plans and decide how to redesign work operations to eliminate inefficient steps. If a team member finds that he or she cannot complete a job, or that the quality of the job does not meet specifications, he or she may pull a cord to stop the production line, an act that could result in disciplinary action in other auto assembly plants. In short, each team member is treated as a full participant in the operation of the workplace.

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[6] Michael Brody, "Toyota Meets U.S. Auto Workers," *Fortune*, July 9, 1984.

The UAW's reasons for agreeing to the team system and workplace flexibility are summarized in the following excerpt from its *Solidarity Magazine*:

> "To develop fully informed workers with a broad range of skills, the UAW agreed to just one job classification for all line workers and just three for the trades. Critics say this historic reversal of protective job demarcation exposes NUMMI workers to the whims of management. But the UAW fought for the more than 100 job classifications in traditional auto assembly plants precisely because workers had no control over job content on the shop floor. At NUMMI they do. If the lone job classification is a concession to Toyota, it is even more emphatically a concession to the age-old thirst of American workers for creativity, flexibility, and a degree of job control."[7]

These concepts have enabled New United Motor to achieve a high level of productivity without sacrificing the dignity, morale, or health of its workers. The goal of high productivity has always been the goal of assembly-line operations. Too often, however, high productivity has been accomplished without the willing participation of the production-line worker. For years, auto industry managers used Frederick Taylor's "division of labor" approach in organizing the workplace. The manufacturing process was broken into its smallest components, with workers performing the same task over and over. Industrial engineers—including the time and motion people with their ubiquitous stop watches and clipboards—decided how those tasks would be performed, with little or no input from the production workers themselves.

Along with the Taylor approach went an underlying attitude that production-line workers were lazy and not very smart. Many managers shared the attitude of Henry Ford, who said at the time he announced the $5/day wage—"The assembly line is a haven for those who haven't got the brains to do anything else"—and treated production-line workers accordingly. Not surprisingly, workers have long fought against the monotony and mindless nature of traditional assembly-line work in which they were treated as so many cogs in a wheel. The inevitable result was a labor relations structure based on antagonism, confrontation, and mistrust, as typified by GM's Fremont plant.

In recent years, some American managers have begun to question whether the traditional approach to assembly-line work is the best way to operate a factory. A more enlightened view reflects the simple axiom that most people want to be productive and will produce more if they have a sense of creative involvement in their work. The success of the Japanese auto makers has definitely played a role in this shifting of attitudes. The principal reason for superior Japanese productivity is not better automation but the smarter organization of assembly jobs, the responsibility given to production-line workers, the flexibility with which those workers are deployed, and a cooperative approach to labor-management relations. The experience of New United Motor confirms this observation. With some 170 robots, New United Motor is less automated than the U.S. auto industry's newer plants. But it will produce cars at greater productivity levels. In the words of the UAW, "The key to NUMMI's high productivity is the fully informed worker, not the semi-smart machine."[8]

At New United Motor, each team member is actively involved in establishing work standards, improving productivity, and maintaining quality. The concept of using workers as their own efficiency experts is a marked departure from traditional practices. So far, the UAW members at Fremont have accepted the idea. UAW Director Bruce Lee remarks: "I went through two Toyota assembly plants and stamping plants in Japan, and they have a fast pace. But their system is laid out so that it's easier for the workers to do the job than it is here. If you have an operation that takes you ten steps, and you can make a suggestion for a way to do it in six, you've accomplished something for the company and for yourself, even though you're moving faster. I don't think our people are going to resist that."[9]

HIRING AND TRAINING

In May 1984, New United Motor hired the first 26 of 2,150 production workers. Hiring continued for the next 20 months. The resultant work force consisted of a broad spectrum of age, gender, and national origin—as diverse as any work force in the U.S. auto industry—with some 85 percent coming from the former Fremont workers. Among the initial hires were most of the members of the former hierarchy of the UAW Local, a group not known for its harmonious relationship with the former GM management. Led by Tony DeJesus, President, and George Nano, Chairman of the Shop Committee, they played an integral role with management in starting up operations at New United Motor. They helped interview and assess the thousands of former Fremont workers that submitted job applications. They participated in giving orientation sessions and took it upon themselves to persuade the rank and file to adopt a cooperative approach with management. Their role was redefined, much in line with that envisioned by Owen Bieber, then a vice president with the UAW, in 1982 when he said:

> "The role of the union representative may have to change somewhat. Instead of being a grievance handler, her/she becomes more a knowledgeable facilitator, advisor, and educator, which is a positive change."[10]

One of the new roles assumed by Local President DeJesus, who in 1977 had led a wildcat strike at the Fremont facility, was to participate in discussions about the selection of supervisors. Said De Jesus:

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[7] *Solidarity*, supra.

[8] *Solidarity*, supra.

[9] *Fortune*, supra.

[10] Owen Bieber, "UAW Views Circles: Not Bad At All," *The Quality Circles Journal*, Vol. V3, August 1982.

"Whoa, I thought, that's management stuff. But my wife told me that after years of complaining about supervision, I now had the chance to participate. And it was more than token participation; the union's recommendations were taken. Now, if anyone complains about a supervisor, we're partly to blame."[11]

DeJesus and the other union representatives also played an important role in training, a critical part of the start-up at New United Motor. Beginning in June 1984, some 240 production workers, including the union representatives, traveled to Japan for three weeks of classroom and on-the-job training on a Toyota production line.

The trainees were sent in groups of 32. A typical group would include group leaders, team leaders, and union representatives. The company's production managers also participated in the training in Japan. The classroom training included an introduction to the Toyota Production System, including the concepts of Kaizen (continuous improvement), Jidoka (the quality principle), and Just-in-Time (the production control system). Sessions were held on team building, quality circles, safety, union-management relationships, and the like. The classroom sessions were followed by on-the-job training in which each trainee worked side by side with a Toyota trainer on the Toyota assembly line.

This assembly-line training, which lasted for 2-1/2 weeks, gave each trainee practical experience in working on the jobs that he or she would be responsible for in Fremont. But the most important part of the training in Japan was that these American auto workers were given a first-hand look at the Toyota Production System. They were able to judge for themselves whether it could be adapted to an American auto plant. Their experiences in Japan definitely left an impression. Local President DeJesus, one of the UAW representatives trained in Japan, said of his experience in Japan:

"The thing I was most impressed with was their human relations, their respect for one another, and how well they work with one another. If we could just apply one-half of how they treat each other, we could really improve the situation from what it used to be."[12]

Upon their return to the United States, these 240 people, including the union representatives, formed the core of trainers for newly hired team members at Fremont. The union representatives worked with management in establishing and operating the orientation and training program for the 2,150 team members who were hired over the next 18 months. Several union representatives took full-time assignments in New United Motor's Human Resource Department to work on training and orientation.

Each team member went through a three-day assessment center and a five-day orientation program. These sessions consisted of production simulations, classroom exercises and orientation lectures on the team concept, New United Motor's production system, quality, productivity, attendance, safety, Kaizen, housekeeping, labor-management relations, and competitive conditions in the auto industry. The classroom exercises were quite unique for production workers. For example, in one exercise, individuals were grouped together as a team to build trucks out of toy blocks. In another, the team was asked to set up an assembly operation to increase productivity and eliminate unnecessary operations. These and other exercises served as a demonstrative introduction to the participatory work environment of New United Motor.

After completing the assessment/orientation program, each team member was given on-the-job training on the assembly line. For team members on the first shift, this meant a very slow production start-up. Hiring for the first shift began in May 1984. From May through December, group leaders, team leaders, and union representatives were trained in Japan. They, in turn, served as the trainers for newly hired team members. For the first several months of production, beginning in December 1984, less than two cars a day were produced as team members painstakingly built, took apart, and rebuilt cars. During this period, team members were trained by their team leaders and group leaders. They "kaizened" their work tasks to improve efficiency and quality. Additional team members were added, production rates were slowly increased, and full production on the first shift was finally reached in August 1985, some 15 months after the first team members had been hired.

Hiring for the second shift did not begin until the summer of 1985, well after the first shift was operational. On-the-job training for second shift team members was accomplished by pairing team members from the second shift with the first shift. From September through October 1985, as new team members for the second shift were hired, they worked with their counterparts on the first shift. In late October, the second shift team members began working on their own—first for two hours, then for four. In December, they were totally separated from the first shift. Their training continued under the direction of the group leaders and team leaders who were promoted, after eight additional weeks of classroom training on their own time, from the first shift.

During the start-up phase of New United Motor, each team member received hundreds of hours of classroom and on-the-job training, and that training continues to this day. The overall training program is costly and time-consuming, but necessary to New United Motor's long-term goals of building a world-class quality car at a competitive cost. Traditionally, little time or effort has been put into the training of American auto workers. In the words of Joel Smith, the UAW International Representative at Fremont, "Training in the old days consisted of grabbing someone off the street, giving him a wrench and a five-minute introduction about the job, throwing him on the assembly line, and telling him to work like hell. NUMMI was a refreshing change. We at the UAW believe strongly in the importance of training, and we welcomed the opportunity to participate in the intensive training program for our members at NUMMI."

Virtually all of New United Motor's training was developed and performed in-house. With the exception of $2 million in training funds received from the State of California, New United Motor bore the entire cost of its training. By developing its own training program, New United Motor was able to tailor those programs to its particular needs.

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[11] Henry Weinstein, "Workers Giving Good Marks To GM-Toyota," *Los Angeles Times*, December 18, 1984.

[12] *PSA Magazine*, supra.

A NEW ERA IN COLLECTIVE BARGAINING

The formal collective bargaining agreement was negotiated in mid-1985, one year after New United Motor hired its first workers. While the general framework laid out by the Letter of Intent was replaced by a more detailed contract, the collective bargaining agreement remained true to the principles of the Letter of Intent and reflected the relationship that had developed between labor and management during the year the plant was in operation.

Hailed by A.H. Raskin of the *New York Times* as an "industrial breakthrough,"[13] the contract was ratified by 92 percent of the work force. According to the UAW's Chief Negotiator, Regional Director Bruce Lee, the agreement "meets or exceeds U.S. auto industry standards on economics, union rights, and job security, while also acknowledging the blending of industrial cultures and commitment to high-quality, efficient production."

Like the Letter of Intent, the contract bears the unmistakable influence of the cooperative labor-management philosophy at New United Motor: Management accepts its responsibility of giving workers decent wages, job security, and participation in decision-making; labor accepts its responsibility for promoting company productivity and growth. The contract contains a number of concepts not generally found in U.S. auto industry contracts. Among them:

- Joint union-management commitment to resolve problems through nonadversarial techniques based on consensus instead of confrontation;
- Joint union-management commitment to constantly seek improvements in quality, productivity, and cost;
- Advance union-management consultation on layoffs, production schedule changes, major investments, and other key discussions usually considered the exclusive domain of management;
- Joint union-management review of unusual or mitigating circumstances in advance of discharges or suspension of workers;
- Joint union-management resolution of problems arising from any worker's inability to meet work rates, including the right of each production-line worker to stop the production line without fear of discipline; and
- The strongest job-security protection ever given to an existing UAW work force, with management obliged to reduce its own salaries and bring in subcontracted work to the bargaining unit before laying off union members.

This contract symbolizes the new labor-management relationship that has been forged between New United Motor and the UAW. What distinguishes this relationship from the traditional structure is the promotion of common union-management objectives, the creation of communication channels to support those objectives, and the avoidance of adversarial solutions to problems.

For the UAW and its members, the relationship promises fair wages and benefits, job security, and participation in decisions usually the sole prerogative of management. For management, the relationship means an involved, dedicated work force, with no strikes, low absenteeism, few formal grievances, and workplace flexibility—conditions required for high productivity and high quality. From the "lose-lose" experience of confrontation, both sides are crafting a "win-win" cooperative relationship.

The contract establishes a framework necessary to maintain a cooperative labor-management relationship. But the words of a contract do not establish the relationship—the actions of the parties do. And the key to the success of the relationship is trust, which must be built up by practice and experience. In the words of Joel Smith, the UAW's International Representative at Fremont, "If we don't cooperate with each other, the system won't work. If it doesn't work, then stable, long-term employment is not possible."[14]

New United Motor is an experiment, closely watched by other automobile companies, unions, academia, and anyone concerned with America's heavy manufacturing capability. It is a test of whether American labor, if managed and equipped properly, can compete in the world market. So far, the results are very encouraging. Naturally, some skepticism and problems remain. Twenty years of industrial strife has left its unfortunate mark on the Fremont plant. But real progress has been made. In two short years, a much maligned work force has shown that it can build cars at quality and productivity levels that rival the Japanese. An industrial battleground has been transformed into a "model of industrial tranquility." Workers and managers who have worked at NUMMI are spreading the word that cooperation between labor and management really works. George Nano, Chairman of the Shop Committee, remarks:

> "We brought many groups through the plant to actually see what they have heard about. Most of the unions and management staff that have come through the plant and talked with us are encouraged by what we are doing, and leave here with a very positive attitude. They recognize that they have to change their ways of doing business and become cooperative with each other if they are going to survive in the global economy."[15]

This huge plant is once again vibrant, once again making a significant contribution to the local, state and national economy. If NUMMI succeeds, it may point the way for American labor and management to effectively compete in the world market.

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[13] A.H. Raskin, "An Industrial Breakthrough," *The New York Times*, July 23, 1985.

[14] Paul Shinoff, "GM-Toyota Plant Breaks Detroit Mold," *San Francisco Examiner*, December 16, 1984.

[15] Interview with George Nano, 1st Quarterly New United Motor Magazine.

This case study was prepared cooperatively by the New United Motor Manufacturing, Inc., the United Automobile Workers, and the U.S. Department of Labor.

[Whereupon, at 12:40 p.m., the committee was adjourned, subject to the call of the Chair.]

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